GOLD CIRCLE
RACING AND GAMING GROUP

ANNUAL REPORT

2020

Gold Circle Racing and Gaming Group

The Business Of Gold Circle Is:

To promote the thoroughbred racehorse through operating:

The sport of horseracing • wagering and gaming facilities • related leisure activities and media management

The Vision Of Gold Circle Is:

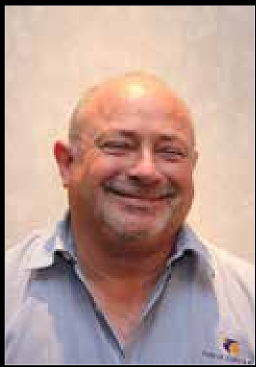
To be one of the most admired Racing Centres on the international horseracing circuit

Content

Board of Directors

N P BUTCHER
(Chairman)

P MNGANGA
(Vice Chairman)



M J L NAIRAC
(CEO)

D CHETTY

P B GIBSON

J H S DE KLERK

P V LAFFERTY

C MOODLEY

M M NHLANHLA

L NUNAN

G PETZER

Y PILLAY
(CFO)

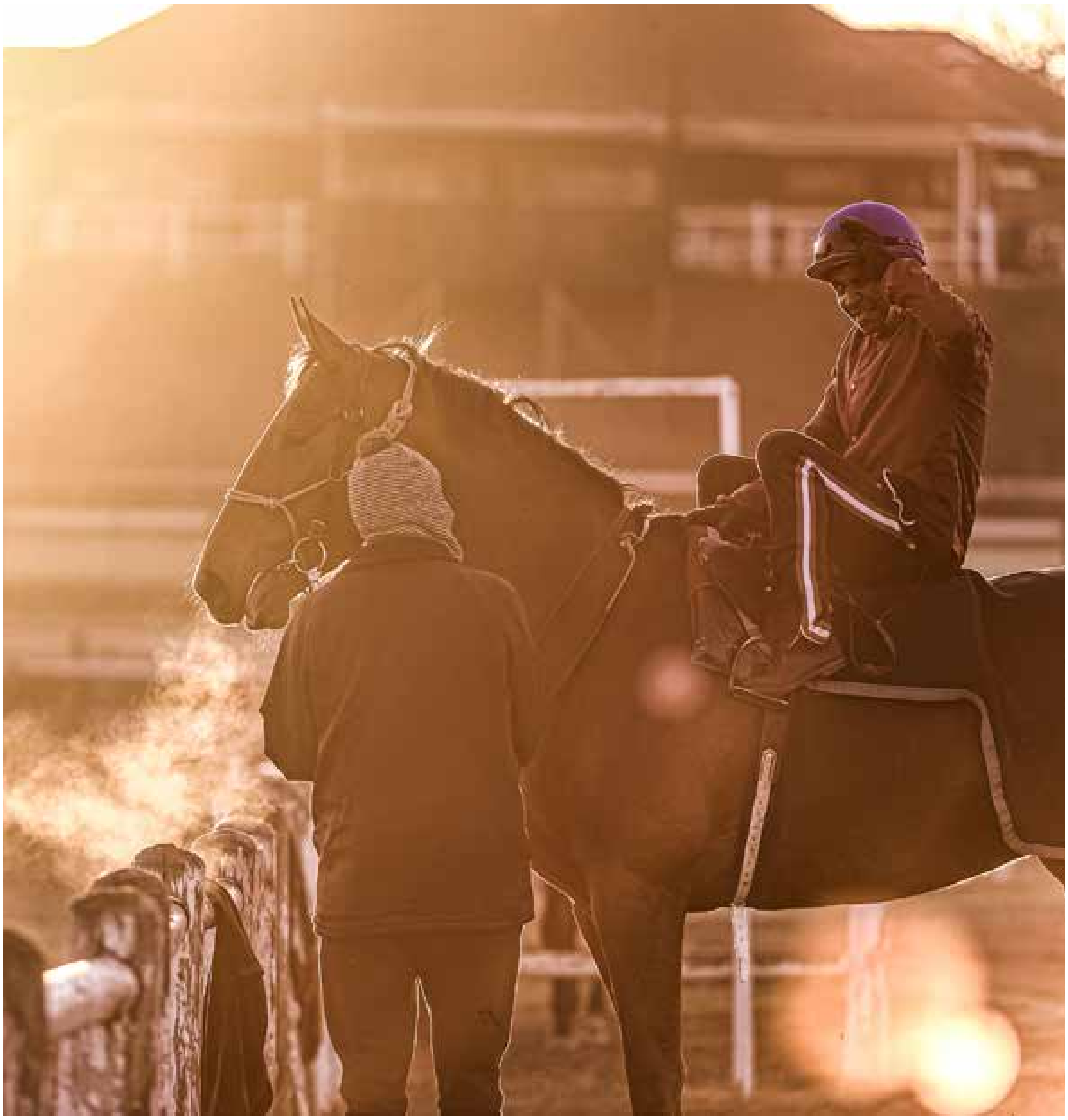
L R WHITEFORD

Z ZULU

Entity Information

REGISTERED ADDRESS:	150 Avondale Road Durban 4001
POSTAL ADDRESS:	P.O. Box 40 Durban 4000
AUDITORS:	KPMG Inc.

BANKERS:	ABSA Bank of SA Limited First National Bank of SA Limited Nedbank Limited Standard Bank of SA Limited
ATTORNEYS:	Barkers



Chairman's Report

INTRODUCTION

The Directors have pleasure in presenting the Annual Financial Statements and this Report for the year ended 31 July 2020.

The 2020 financial year continued to challenge the Board and management alike as the racing industry experienced further contraction in the face of the country's continuing negative economic trends.

SIGNIFICANT EVENTS

Trading in the last half of the financial year was significantly hampered through two separate catastrophes which are having a continuing and devastating impact on the racing fraternity and its peripheral industries. They have both resulted in changing the way that business is done and forcing new dynamics that will have a lasting impact on all.

Covid

In March 2020, due to the spread of Covid internationally, Government implemented the National Disaster Management Act and promulgated regulations to limit the spread of Covid within South Africa. The restrictive implications of the regulations affected every South African and it will be years before normality is again reached in South Africa.

In terms of the regulations, national horse racing was shut down on 27 March 2020 as a non-essential business and remained closed until 1 June 2020. When the resumption of the sport was again allowed under the control of the National Horse Racing Authority, it was behind closed doors without spectators. During this two-month closure period the group was unable to trade but continued to incur material losses as it adjusted to changing dynamics and the need to stay prepared should government decide to positively amend the regulations.

Regrettably, in order to maintain the short-term sustainability of the group, it was necessary to take extreme financial decisions many of which continue to affect the lives of all employees and their families. Every part of the group's business has been affected by the national Covid restrictions and the return to the new normal will be slow and will continue to retard the return of the group to financial health.

Phumelela

It is a well-documented fact that Phumelela Gaming and Leisure Limited (Phumelela) went into business rescue proceedings on 8 May 2020. The decision placed the horse racing industry into turmoil. Being the dominant participant in the horse racing and betting industry, Phumelela played a key role in the management of several joint venture agreements in which Gold Circle participated. These agreements relate to the broadcast of the racing picture through Tellytrack, the international sale of the South African racing picture, the administration of the Sport and the commingling of betting pools both locally as well as through an international hub on the Isle of Man.

The business rescue plan as proposed by the Practitioner was accepted by creditors on 1 September 2020 and included the sale of 100% of the equity of Phumelela Gold International (PGI) which operates on the Isle of Man. Gold Circle through historic agreements and accepted accounting practice is the holder of 39% of the equity in PGI, an investment which the Practitioner disputes and does not recognize. As a consequence of the dispute, Gold Circle is not receiving its revenues in respect of international sales of its picture. Gold Circle is in the process of preparing legal argument to claim its rightful ownership of the shares.

It is important to note that should Phumelela Gaming and Leisure be successful in defending their non-recognition of Gold Circle's ownership in PGI there is a possibility of a recovery claim against Gold Circle of R150 million in respect of incorrectly distributed profits by Phumelela.

FINANCIAL PERFORMANCE

In general, and where comparable, total revenue has not kept pace with inflation and has declined in most part as a consequence of Covid as well as the weak economy in which the group operates. The financial trading results of the group to 31 January 2020 circulated to Members, reported a small surplus of R1.8 million which was encouraging given that the 2020 Champions Season was yet to come. Projections for the full financial year to 31 July 2020 were that the company would incur a deficit of R10.2 million.

Over the past months the directors and management have been seeking solutions to the financial crisis in which Gold Circle finds itself. It is important to understand the dynamics of the problems facing the Board, the consequential cash flow implications and the management of the business since January 2020.

The National Government, following its earlier declaration of a national pandemic as a result of the Covid-19 virus implemented a national lockdown which forced all non-essential businesses to close and included all business relating to the racing and betting industries. This has had and continues to have a profound impact on Gold Circle as its core revenues are derived through betting shops and international revenues. International product suppliers have been similarly affected through Covid regulation lockdowns. Betting was then limited to the internet and telephone betting platforms only and limited to product available from overseas.

The losses incurred for the period March to May 2020 of not being able to fully operate the business amounted to R18.1m which increased to R48.2 million at year-end. The deficit was further exacerbated by necessary impairments which increased the deficit to R96.5 million reported for the full financial year.

When Phumelela was placed into business rescue the implications to Gold Circle were that all settlements of inter-company current accounts were terminated and all income generation managed by Phumelela on behalf of the company was withheld by the business rescue practitioner (BRP). Negotiations with the BRP are protracted and hostile.

Covid and the Phumelela crisis resulted in Gold Circle not being able to fund its own business and short-term financing options were sought to relieve the cash flow requirements of the group. External funding through financial institutions were too onerous and demanded sureties that the group could not accede to. As a short-term solution Gold Circle was fortunate to have secured two loans, in aggregate amounting to R57 million, from Hollywoodbets which was used to carry the group business pending an application to Members for the release of "ring-fenced" investment funding to cover medium term operating costs through to July 2021.

Members approved relevant funding of R70 million at a special general meeting held in July 2020 and an additional amount of R30 million in November 2020.

Since March 2020 management have taken a proactive approach to reduce operational costs and at the same time preparing for when the Covid lockdown regulations would be relaxed for racing to again commence. This occurred from 1 June 2020 under the strict control of the National Horse Racing Authority and behind closed doors.

Highlights of the current year's income generation are as follows:

- Totalisator turnover for the year amounted to R728.9 million
- Fixed odds bets placed through Track and Ball amounted to R233.4 million
- Income received through third party bookmaking activities amounted to R37.2 million
- International income generated through sale of picture and investments amounted to R68.9 million

Total revenue generated from local operating activities amounted to R 296.1 million, a decrease of 30.5% compared with the R425.9 million earned in 2019 as a direct result of the Covid pandemic restrictions implemented by government in March 2020.

Total income from investments, including the amount "ring-fenced" by Members in 2012 amounted to R4.0 million compared with R19.8 million in the prior year. Whilst the stock market indices continue to be erratic the group's investments are held for the longer term. Also included in the investment returns are the remeasurements of the Phumelela Gold International investment.

In terms of the International Financial Reporting Standards (IFRS), certain income categories have not been included in the Consolidated Income Statement and have been allocated directly to the statement of finacial position. Total comprehensive income for the year after taxation and extraordinary revenue adjustments, amounted to a deficit of R96.5 million compared with a profit of R4.1 million in the prior year. The main reasons for the variance were as a result of the remeasurement of the Phumelela Gold International investment, the impairment of receivables owed by Phumelela being charged to profit or loss and the impact of not being able to trade in terms of the Covid regulations.

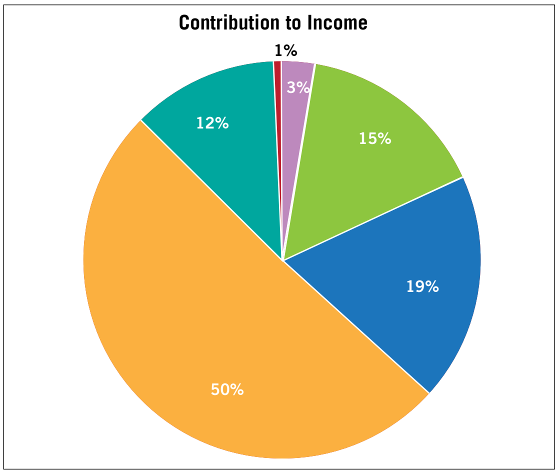
Total expenditure, excluding Stakes paid to Owners, amounted to R372.6 million and reflects a decrease of 9.34% on the comparable amount of R411.0 million spent in 2019.

Stakes paid to Owners over the past year decreased by 36.0% from R114.8 million in 2019 to R73.5 million, due to stakes level decreases and the inability to race during the lockdown period.

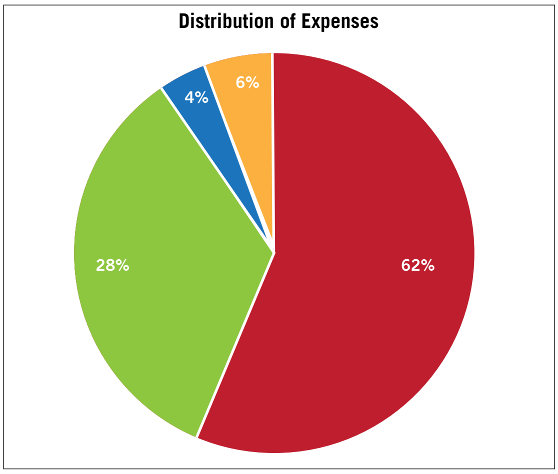
The company continues to pursue all possible avenues of income generation to ensure that the financial contribution to the industry is sustainable into the future.

The graphs below reflect the 2020 macro management summary of Gold Circle's sources of income and the sectors where expenditure was incurred to provide facilities for KwaZulu-Natal racing. These statistics conform in total with the statement of total comprehensive income but are defined differently in the audited financial statements.

Chairman's Report (continued)



	%	R in Millions
Investments	3	5.6
Racing revenue	15	31.9
Wagering	19	38.4
Intellectual Property	50	104.1
Asset Utilisation	12	24.3
Vodacom Durban July	1	1.4



	%	R in Millions
Racing - Training Centres, Tracks and Operations	62	157.8
Stakes - Owners and Breeders	28	74.8
Jockey Remuneration	4	10.1
Regulatory Costs - National Horseracing Authority	6	15.6

FINANCIAL POSITION

At 31 July 2020, the Group controlled total assets of R887.0 million (2019: R974.0 million) and total liabilities amounting to R212.6 million (2019: R203.5 million). Excluding the loan owing to Gold Circle Racing Club amounting to R39.5 million, the total equity attributable to shareholders amounts to R674.4 million (2019: R770.8 million).

Cash and cash equivalents as at 31 July 2020 amounted to R24.1 million (2019: R41.7 million). The decrease in available cash is due to an outflow of funds as a consequence of Covid and the Phumelela crisis.

ASSET UTILIZATION

Property assets under the control of Gold Circle relate in the main to the training centres at both Ashburton and Summerveld. The Hollywoodbets Greyville racecourse is leased from the eThekwini Municipality until 2069. The Hollywoodbets Scottsville Racecourse is leased from the Msunduzi Municipality until 2035. In addition, The Hollywoodbets Scottsville Racecourse has a sub-lease agreement with Tsogo Sun in respect of the casino premises in Pietermaritzburg. Tsogo Sun have applied to the Msunduzi Municipality to acquire the property. This however will not affect the right of the company to utilise the Scottsville property.

The Greyville Convention Centre generated sales of R5.0 million during the current financial year which is a decrease of 54.2% compared with the prior year. The negative medium-term sustainability of this non-core revenue stream under the Covid regulations has resulted in the closure of the Convention Centre.

Gold Circle continues to explore opportunities to increase revenues and profitability through the better and more efficient use of its real estate assets.

National and International Initiatives

Gold Circle's involvement in national external business operations is limited to contractual obligations in respect of a National Sports and Administration agreement which deals with horse racing matters including the National Racing Bureau, as well as Tellytrack in which Gold Circle has a minority partnership holding.

TELLYTRACK

Tellytrack, the entity managed by Phumelela Gaming and Leisure, continues to hold and protect the Racing Operators' intellectual property rights to the racing picture, and broadcasts the South African horse racing picture to South Africa, Namibia and Zimbabwe. Tellytrack also manages the importation of international horse racing as a betting product for the local market.

INTERNATIONAL

The Licence Agreement between Gold Circle and Phumelela Gaming and Leisure Limited, whereby the company's racing product is sold internationally, remains a significant source of revenue for the company and contributed R68.9 million for the year. With the potential liquidation of Phumelela Gaming and Leisure by the end of 2021 and the business rescue practitioner's challenge to Gold Circle's share ownership in Phumelela Gold International. The sustainability of this income source is doubtful in the present context.

Totalisator and Bookmaking

TOTALISATOR

Totalisator commission from betting turnover generation continues to be an important source of income for the company. Gross betting turnovers for all products for the 2020 financial year amounted to R728 million compared with R1.1 billion in the prior year. The main reason for this turnover decline is the Covid regulations which forced the closure of business over a two-month period. Turnover generation prior to the lockdown continued to decline as the country's economy placed increasing financial pressure on the population in general.

It is pleasing to report that since the commencement of racing in June 2020 totalisator turnovers have now reached around 80% of the pre-Covid levels and hopefully will continue to improve over time.

BOOKMAKING

Track and Ball, the company's Black owned subsidiary, was severely affected by the Covid pandemic which forced the closure of its retail outlets for a three-month period. This resulted in a 15% drop in the company's net income and subsequently the company recorded an operating loss of R2,2m before tax and interest charges. The company traded from seven owned licensed premises in KZN and further managed four additional Black-empowered licenses in which Track and Ball has a minority equity ownership.

Whilst the company is in the process of selling two of its smaller branches, one of its associate companies, Ezeefun, has secured another two bookmaking licenses which will be opening in the coming months.

Events and Marketing

MARKETING

Gold Circle's vision is to produce a world class horseracing product that is on par with any jurisdiction around the world. Whilst Champions Season was delayed and ultimately forced to be conducted behind closed doors, the Gold Circle team ensured that racing in the province was able to restart in June and the full high definition broadcast of the Vodacom Durban July elevated this experience. Experimental use of drone and vehicle tracking footage during the season further enhanced the G-TV broadcast. This will be integrated into more coverage of KZN racing in future.

Champions Season continues to attract the best thoroughbreds in South Africa, and featured all this year's Equus Champions, with the exception of One World who was retired to stud in March 2020. Horse of the Year –Summer Pudding continued her unbeaten form by winning the Gr1 Woolavington 2000. Africa's greatest horseracing event - the Vodacom Durban July, was run on the last Saturday in July 2020 and provided a thrilling finish with the well weighted Belgarion getting up under Richard Fourie to deny 3-year-old champion Got the Greenlight and hat-trick seeking Do It Again. The victory provided trainer Justin Snaith with his 5th VDJ victory and a 1st for Belgarion's owners –Mr AN and The Hon Mrs GR Foster.

The Hollywoodbets racecourse naming rights sponsorship continues to benefit all stakeholders in KZN. Hollywoodbets ran a Sizzling Summer series of competitions and offered up R750 000 in prize money to Owners, Trainers and Jockeys. Punters who had accounts with Hollywoodbets and/or TabGold competed for R100 000 in prizes during the month of March 2020. After lockdown Hollywoodbets once again came to the fore with a R1 million Back on Track Punters Challenge and a further contribution of R530 000 for the Back on Track Trainers, Owners, Jockeys, Apprentices and Grooms competitions. The joint partnership between Hollywoodbets and Gold Circle to reward all grooms of winning horses in KZN has been renewed for the coming season. We thank Hollywoodbets for their continued commitment towards racing in KZN and look forward to working together to further improve the horseracing product.

The Vodacom Durban July is a huge draw card for the City of Durban and Tourism KZN. Lockdown regulations prevented visitors travelling to Durban, both the City and the Province placed their full support behind this year's event with innovative virtual marketing campaigns. The pre and after parties were both hosted virtually on DSTV and attracted a viewership of 278 000. Guest designers were paired with social media influencers to promote their Butterfly themed outfits and also participated in online tutorials to assist the public in creating their own designer accessories. Social media interaction was at an all-time high reaching over 13 million people with metrics of impressions, reach, engagements and video views more than doubling over the comparative period.

In these current times, Gold Circle is extremely fortunate to have a long-standing relationship with the sponsor of our most prestigious race and thanks are extended to Vodacom for their continued support. Planning is well underway for the 2021 event where it is hoped that the VDJ fans will once again be welcomed back to Hollywoodbets Greyville.

The curtain was drawn on Champions Season after the running of the Gold Cup race meeting, which due to the late start of the season, was run on 25 August 2020. Fortunately, the results of the 10 feature races on the day were included in the adjudication of the Equus Awards, even though the race day fell outside of the traditional end of the racing calendar. World Sports Betting came on board to sponsor the 100th running of the Gold Cup and has become a significant partner of Gold Circle. WSB sponsored the KZN Guineas, the Fillies Guineas, the WSB 1900, the Cup Trial, the Gold Cup, the Champions Cup and the Mercury Sprint during this past season. We thank WSB for their generous support and look forward to fostering this relationship in the future.

Gold Circle's long-standing agreement with Independent Media which provided a national platform in several daily and weekend newspapers for horseracing around the country has come to an end. Covid has had a severe effect on Independent's distribution and their ability to provide the pagination required to publish horse racing content daily. The long association with Independent Media is much appreciated and thanks are extended to them for their support over many years.

Gold Circle continues to broaden its digital reach through social and internet-based platforms. Facebook and Instagram have become increasingly important platforms to provide audiences with engaging copy, visually stimulating graphics and pictures as well as videos which are extremely cost efficient in comparison to traditional forms of media. The company continues to look at ways to improve its engagement to a wider audience.

Due to the Covid regulations, on-course facilities at Hollywoodbets Greyville have been restricted to a 50% capacity of the Durban View Room, private boxes and suites, and essential personnel only. Strict protocols are being adhered to in order to minimize the risks of spreading the Coronavirus. The newly revamped Short Head Bar is being used as an overflow facility for the jockey room to allow for social distancing. The company is preparing a marketing campaign for release when spectators are permitted back to attend sporting events as management looks to re-establish racing as a viable entertainment option for the public.

Gold Circle will continue to promote the product of horse racing in the province in a positive light and concentrate its efforts on attracting a greater audience to the sport by continuously engaging with its partners, regulators and other industry stakeholders.

RACING

Due to the national lockdown, Gold Circle featured only 84 race meetings of the scheduled 106, compared with 110 in the prior year. When racing resumed in June 2020 and with the company's revenue streams under extreme pressure, it was unfortunately necessary to reduce prize money paid to winning owners. Consideration to increasing the current levels will be given once revenue flows improve.

The condition of the Hollywoodbets Greyville turf track has been exceptional over the past year and stood up particularly well over the Champions Season period. With the Gold Cup race meeting moved to the end of August 2020, no mini rejuvenation surface treatment was carried out this year. The major track spring treatment is scheduled for January 2021.

The popular Polytrack at Hollywoodbets Greyville continues to provide for the majority of races in KwaZulu-Natal. This track constantly provides a uniform racing surface and ensures that very few race meetings in the province are cancelled due to inclement weather.

The condition of the Hollywoodbets Scottsville grass track raced well over the past year. Notwithstanding the grass being affected through frost during Champions Season the track surface provided true underfoot conditions. The track has undergone its annual spring treatment and reopened for racing on 29 November 2020.

The high-class facilities offered to trainers at the Ashburton and Summerveld training centres are the envy of the racing fraternity. As a consequence, there is a high demand for stabling accommodation in KwaZulu-Natal. Stabling for visiting trainers continues to be made available to out-of-province trainers who choose to race in the province during Champions' Season.

Due to Covid restrictions, Barrier Trials, introduced in KwaZulu-Natal during November 2017, have been suspended.

The racing fixtures scheduled in KwaZulu-Natal are well supported and the continued featuring of night racing at Hollywoodbets Greyville is included in the programming. Night racing provides a great added opportunity for South Africa to export horse racing into the international market for betting and commingled totalisator pools. Regrettably, the cost of staging night racing is high and during this time of

Events and Marketing (continued)

Covid restrictions and recovering from its financial impact, Gold Circle will be featuring a series of twilight race meetings as an alternative to the Friday night race meetings which will conclude prior to sunset. This alternative will hopefully be attractive to all those who support and contribute to racing.

The success of the 2020 Champions Season was hallmarked by many outstanding performances and high-quality competitive racing. The jewel in Africa's racing crown, the Vodacom Durban July, continues to attract the best of breed and provides the country with a racing extravaganza that is the envy of other racing jurisdictions. Sadly, this year the event had to be held behind closed doors.

The KwaZulu-Natal Racing Awards for the 2020 Season took place in September 2020 in the Durban View Room and congratulations are extended to the winning Owner, Mario Ferreira, the winning Trainer, Garth Puller and winning Jockey, Warren Kennedy for their exceptional achievements over the past year. Vodacom Durban July winner, Belgarion trained by Justin Snaith, was crowned KwaZulu-Natal Horse of the Year with the Breeder category being won by Mauritzfontein and Wilgerbosdrift Stud for the second season in a row.

Gambling Legislation and Regulation

KZN GAMING AND BETTING BOARD (KZNGBB)

Gold Circle's maintains a good working relationship with the KwaZulu-Natal Gaming and Betting Board (KZNGBB) through liaison and communication on matters of licencing and legislative regulation.

The Department of Trade and Industry (DTI) continues to review the Gambling Policy Commission's recommendations on gambling and betting in the country. Several amendments to the National Gambling Act have already been promulgated, and further changes are under consideration.

On 1 January 2020 the MEC for Finance on KwaZulu-Natal signed into law an amendment to the KwaZulu-Natal Gaming and Betting Tax Act which reduced the proportion of punter's betting tax distribution to Gold Circle from 3% to 1.6%. The effect of this legislation was that Gold Circle would lose approximately R21 million per annum. There was no consultative process adopted by government in effecting this amendment.

Gold Circle entered into consultations with the MEC for Finance drawing attention to the unconstitutionality of the manner in which the legislation had been promulgated. At the same time prepared an urgent interdict to prevent the MEC for Finance implementing the amendment. Fortunately, sanity prevailed and the MEC for Finance withdrew the amendments to the legislation noting that the matter would be further considered by government. This matter remains a major threat to Gold Circle's business.

It is important to note that the bookmaking fraternity is not obligated to make a direct contribution towards the cost of providing racing product and yet they are licenced by the Gambling Boards to use the intellectual property for their own benefit. The 3% punter's betting tax distribution received from the provincial fiscus seeks to correct this anomaly and is a contribution towards the cost of putting on racing. This income source is an important part of the company's total revenue base allocated for horse racing purposes and is listed on the company's financial statements as third-party Bookmaker contributions.

Corporate Governance

Gold Circle manages its business within the corporate governance requirements of the King IV Commission Report. The following Committees have been appointed by the Board to monitor and direct the business activities of the company:

- Audit and Nominations Committee
- Remuneration Committee
- Social and Ethics Committee
- Commercial Risk Committee
- Racing Committee
- Tender and Adjudication Committee (non-remunerative)
- Finance and Investment Committee (non-remunerative)

Committee members comprise only non-executive directors and remuneration levels have been set and approved by the Board of Directors. The following table reflects the attendance records of statutory and other remunerated committee meetings of the Board:

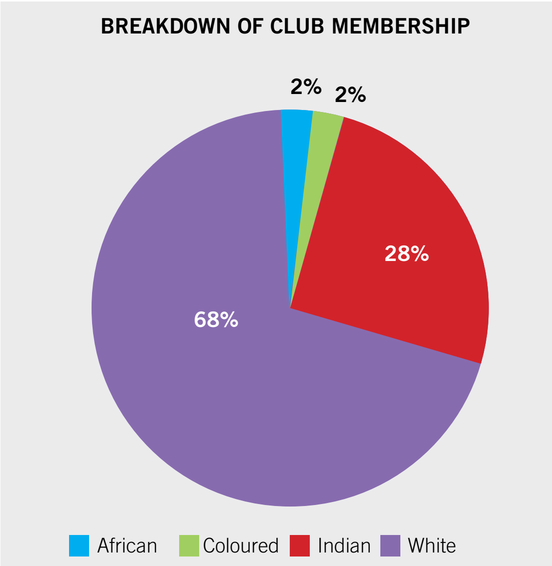
	Board	Audit	Risk	Remco	Racing	Social & Ethics	Remuneration "R"
NON-EXECUTIVE							
N P Butcher	11/11	-	-	-	6/6	-	120 000
D Chetty	10/11	-	-	-	6/6	-	70 000
J H S De Klerk	10/11	3/3	2/2	-	6/6	-	90 000
P B Gibson	10/11	-	-	-	5/6	-	65 000
P V Lafferty	11/11	-	-	4/4	5/6	-	75 000
P Mnganga	8/11	-	-	-	-	1/1	45 000
C Moodley	7/11	2/3	1/2	-	-	-	67 000
M M Nhlanhla	8/11	-	-	-	-	3/3	60 000
L Nunan	11/11	-	-	-	6/6	3/3	100 000
G Petzer	11/11	-	-	4/4	-	-	65 000
Z Zulu	10/11	3/3	2/2	-	-	2/3	65 000
Total Remuneration Cost							822 000

Transformation

Gold Circle is a responsible corporate entity and aligns itself with the principles of Broad Based Black Economic Empowerment. The company has an approved Transformation Strategy which is geared to achieving the objectives of the Broad-Based Black Empowerment Act, as amended from time to time. To this end, the company currently has a level 4 BB-BEE recognition level. Gold Circle has over the years implemented several initiatives which demonstrate a positive commitment to transformation throughout its business.

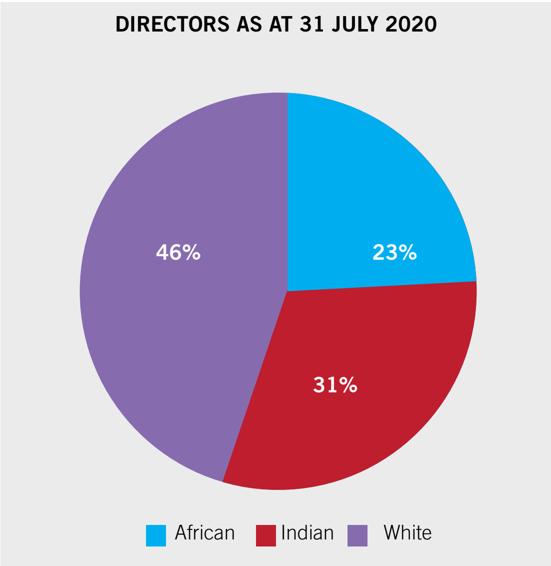
CLUB MEMBERSHIP

The Gold Circle Racing Club, as the single shareholder in Gold Circle, comprised 781 members as at 31 July 2020. There are few barriers to becoming a member of the Club and the Board of Directors continue to initiate efforts to improve the demographic profile of club membership. The Black membership component was 32% against a target of 35% for 2020.



BOARD REPRESENTATION

Representation on the Board of Directors of Gold Circle is mainly driven through the Club membership. In addition, the Board makes external appointments to balance the skills required to drive the business. At 31 July 2020 the Board comprised two executive and eleven non-executive directors.



MANAGEMENT AND STAFF

Gold Circle has a policy of employing suitably qualified personnel and offers equal opportunity for further development, irrespective of race, disability or gender. Preference is given to the employment of previously disadvantaged persons.

The company outsources a limited number of designated skills which will be phased out by the Board through respective appointments in line with the strategic objectives of the company. Due to the tough economic challenges being faced by the company as a result of Covid restrictions and other industry challenges, part of the Board's recovery strategy is the restructure and rationalization of personnel to align operational costs with income streams. Measures adopted included salary reductions, temporary layoffs, short-time and retrenchments. There has also been a hold on recruitment. These measures have continued into the new financial year.

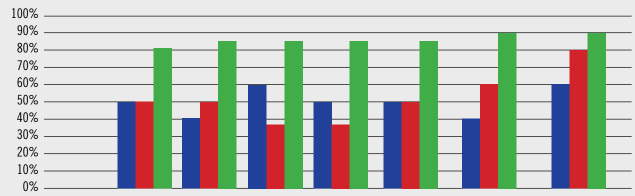
The following table reflects the employment sectors and the demographic profile of personnel employed by the company including branch betting outlet operations at 31 July 2020. There has been a significant decline in the total number of personnel employed as compared to the same time last year (914 to 772).

Race	Executive Management	Senior & Middle Management	Junior Management	Semi-Skilled	Unskilled	Grand Total	%
Black	0	9	92	267	152	520	67
Indian	3	19	57	90	2	171	22
Coloured	0	1	12	21	2	36	5
Sub Total	**3**	**29**	**161**	**378**	**156**	**727**	**94**
White	3	12	18	10	2	45	6
Total	**6**	**41**	**179**	**388**	**158**	**772**	**100**

Black Management

A demographic profile of Black management employed by the company over the past five years, together with future strategic targets, is depicted as follows:

BLACKS IN MANAGEMENT



	Jul 16	Jul 17	Jul 18	Jul 19	Jul 20	Target 0-5Yrs 2015	Target 0-10Yrs 2020
Top/Exec	50%	40%	60%	50%	50%	40%	60%
Senior	50%	50%	38%	38%	50%	60%	80%
Middle	84%	85%	86%	87%	87%	90%	90%

Through its operational infrastructure, Gold Circle is able to provide several employment opportunities for persons with disabilities. The company operates a telephone betting call centre where a number of operators who are wheel chair bound, are employed.

Skills Development

The training and development of skills within the company is necessary in order to ensure that it is able to efficiently conduct its business and meet operational challenges. Skills development also creates positive employee retention and empowerment.

During the year under review Gold Circle expended an amount of R 516 000 on training and skills development. A total of 565 employees participated in upskilling initiatives of which 99% were Black.

The lockdown challenges of Covid restricted training and development initiatives. The company generally embarks on a massive recruitment and training programme annually which allows hundreds of aspirant matriculants and job seekers to apply for vacancies as betting cashiers over the Champions Season. This training is not available at any tertiary educational institution and prepares candidates for similar employment opportunities in the open market once their season's contracts with Gold Circle have concluded. Since racing over Champions Season was restricted to "behind closed doors" the need for betting operators and accordingly training was reduced.

The company has several other in-house educational training programmes that have been developed which enhance employee skills and allow them to progress their careers within the company. Funding assistance for formal training at certified tertiary educational institutions is offered to selected full-time employees who have the potential to further their careers in management positions.

Corporate Social Investment

Gold Circle is committed to making a positive contribution to the upliftment of disadvantaged communities through its Corporate Social Initiatives Programme. All activities undertaken are approved and monitored through the Social and Ethics Committee. The majority of initiatives undertaken are Industry based and also serve as a skills transfer mechanism to the broader traditional horse owning community.

TRADITIONAL HORSE RACING

The Sport of traditional horse racing in South Africa is well established in KwaZulu-Natal. Horses that participate are predominantly owned by black families from rural community areas.

The popularity of traditional horse racing now extends to ten districts within KwaZulu-Natal. Gold Circle provides financial and technical support to make these race meetings more commercially viable and self-sustaining. The local communities where the respective events are staged also derive benefits both commercially as well as in terms of skills development.

During the past year, Gold Circle, in partnership with the Coastal Horse Care Unit participated in a number of projects that support and develop traditional racing, thereby informing and integrating a culture of horse care and welfare amongst rural communities. The aim is to assist rural communities on how to better take care of their horses thereby enhancing their knowledge and skills onto a more professional platform.

Gold Circle is working with the KwaZulu-Natal government to formalise the sport of traditional racing in providing governance support with a view to professionalising and regulating the traditional racing activities.

COASTAL HORSE CARE UNIT

The Coastal Horse Care Unit is a registered non-profit organisation that has as its main objectives, the welfare and care of horses in KwaZulu-Natal. Associated with this objective is the transfer of skills to disadvantaged rural communities to assist them to care for their horses. Gold Circle is actively involved in these community-based programmes to support equine welfare in rural areas. In this regard the company volunteers its personnel to undertake, together with the Coastal Horse Care Unit, various clinics and workshops to allow skills transfer and to educate horse owners to care for their horses. The initiative provides Gold Circle employees with an opportunity of making a positive contribution to the equine community. Gold Circle is a major financial contributor to the Coastal Horse Care Unit.

Corporate Social Investment

GROOMS WELFARE

The employment of grooms at the training centres remains the responsibility of respective Trainers. Grooms form a close and important part of the local racing community and their health and welfare are an imperative. To assist in managing health Gold Circle procures the services of a medical practitioner to provide basic health care facilities for the grooms. This project is available at both the Ashburton and Summerveld training centres.

Over the two months of total Covid lockdown the grooms at both Ashburton and Summerveld agreed to a total restriction of movement and were confined to the training centres. During this period Gold Circle put together and funded a programme which provided all resident grooms with food provisions and basic care needs.

Gold Circle and the KwaZulu-Natal Owners and Trainers Benevolent Trust Fund have agreed the principle of implementing a pension scheme for the grooms that are resident at the training centres. This is a first for South Africa and further supports the company's transformation initiatives in providing benefits for a segment of the stakeholder base that are least able to afford their own individual scheme. The total value of the initial capital funding will be R9 million.

COMMUNITY

Charity Fundraising

As part of a broader social and welfare initiative, Gold Circle provides its administrative infrastructure, buildings and racing events to non-profit organisations and other entities to raise funds for charity and other worthy causes. Gold Circle has through its Charity race days, assisted several organisations to raise much needed funding for their charity work in the community. Many of these events could not be hosted this year due to Covid lockdown restrictions.

Age-In-Action

Age-In-Action is a developmental organisation which strives, in collaboration with other stakeholders, to uphold the rights and dignity of older persons, through advocacy and lobbying and improved access to care; support and protection; training and development and sustainable economic empowerment. Gold Circle supports the principle of these initiatives and partners with Age-In-Action making its facilities available for projects and outings for the aged.

Youth Support

Youth are the leaders of the future and Gold Circle acknowledges the importance of providing the youth opportunities to learn through support programs. Amongst many other initiatives, Gold Circle has elected to support the Greyville Primary School, which borders the Greyville Racecourse, by sponsoring various initiatives that enhance the needs of the learners and educators.

From time to time Gold Circle identifies young persons from a disadvantaged background who could potentially become involved in horse racing as a career or in an alternative equine discipline.

On an annual basis, Gold Circle hosts an early Christmas Party for underprivileged children from The Save the Children Fund. In the past year, 60 children aged between 5-6 years old and their caregivers were invited to a luncheon and related entertainment at Hollywoodbets Greyville.

Enterprise Development

SOCIAL WELFARE

In partnership with the National Department of Health, Gold Circle has embarked on a project to open a public healthcare facility at Summerveld. The clinic will provide many high-level services and will serve to support the grooms, employees and the local surrounding communities. The clinic commenced its activities in November 2020 and should be able to achieve full capacity in December 2020.

RACE HORSE TRAINER DEVELOPMENT

Through a structured and formalized Gold Circle Assistant Trainer Development Program, previously disadvantaged individuals who have the potential to become stable employees, assistant trainers or licensed trainers are provided with financial assistance to achieve their goals. Gold Circle assists by making a contribution to the cost of studying as well as the costs and resources to set up a business. Since the inception of this program two individuals have qualified as trainers.

SOUTH AFRICAN JOCKEY ACADEMY

The Academy is the only educational institution in the country which provides for training towards becoming a professional jockey. Training is provided over a five-year apprenticeship period and is achieved in parallel with acquiring an educational Level 12 standard.

Learners are selected from all community groups, many of which are previously disadvantaged. Gold Circle is proud to be associated with this enterprise and is a major financial contributor to its activities.

SUPPLIER DEVELOPMENT

Gold Circle has implemented a Supplier Development programme which includes identifying and supporting employees, with skills that are key to the organization and have the ability and potential to set up their own businesses to become a "supplier". Gold Circle provides resources including office space, equipment and training to these "suppliers" and they in return, through their business are able to supply required services to Gold Circle. The ultimate aim of the programme is for these individuals to grow their businesses and extend their services beyond Gold Circle.

PROCUREMENT

Gold Circle has an appointed Tender Committee which adjudicates all tenders for required services in terms of the company's Limits of Authority Policy and an established BBBEE Procurement Policy. The company gives preference to procuring goods and services from black empowered companies. A summary of procurement recognition levels over the past five years is as follows:

	2016	2017	2018	2019	2020	Target 2021
Recognition Levels	%	%	%	%	%	%
All Suppliers	90.0	92.6	97.1	87.3	72.7	80
QSEs & EMEs*	42.2	35.8	37.8	33.9	32.7	30
Empowering Suppliers**	-	-	22.8	23.3	20.8	40
Black Women-owned Suppliers ***	-	-	10.3	13.1	12.2	12

* QSEs – Qualifying Small Enterprises
EMEs – Exempt Micro Enterprises

** Empowering Suppliers – over 51% black owned
*** Black Women-owned

- Not required to be measured in 2016 and 2017

There has been a decline in scoring in the 2020 financial year as the BB-BEE ratings of many suppliers who provide non-discretionary services have dropped.

Acknowledgements and Prospects

PERSONNEL

The Board extends a vote of thanks to the CEO, Michel Nairac, his management team and the staff of Gold Circle for their continuing contribution and efforts in working towards achieving the goals of the Group. This has been a difficult year particularly with the challenges brought about by the Covid pandemic and level headed management ensures that all protocols and changing circumstances were properly managed.

OFFICE BEARERS

As members are aware, and in terms of the recent resolution passed at the Special General Meeting of the Gold Circle Racing Club held on 19 November 2020, all Club directors are to stand down at a Special General Meeting to be convened in July 2021.

This is the last year of my term of office having had the privilege of serving on the Boards of Gold Circle as well as the Gold Circle Racing Club since 2011. Through the highs and lows of the Group's journey I have been supported by many colleagues who share the same passion and interest in the racing industry and who strive to ensure its future sustainability. I place on record my thanks to all these dedicated people for the part they have played in procuring that Gold Circle remains a leader in thoroughbred racing industry.

To my fellow directors, I express my sincere appreciation for your support and camaraderie over the past year. It has been a challenging time for all and the Board has faced its obligations and duties as a unified group often in the face of extreme opposition whilst steering the ship along its turbulent path.

In July 2021 the baton will pass on to the next generation of leadership as Gold Circle evolves with changing national ownership and operational dynamics.

ACKNOWLEDGEMENTS

The Board would like to thank the many supporting organisations and people who provide the infrastructure and services necessary for Gold Circle to successfully stage horseracing and contribute to its successes. Included in this group amongst others are Owners, Trainers, Jockeys, Breeders, Sponsors, Media, our betting customers and the public at large. Our thanks are extended to them all for their contributions.

PROSPECTS

In the strategic plan of Gold Circle, the Board recognised that the present Club structure was not ideal and is seeking an alternative operating structure to achieve its business objectives. This remains work-in-progress.

The collapse of Phumelela Gaming and Leisure Limited which was placed into business rescue has created its own turmoil into the national grid of racing but the circumstances have also created an opportunity for the possible restructure of the horse racing industry nationally. The Phumelela racing business has been sold to new owners and a final deal has been signed for the transfer of the relevant assets.

The national discussions started during 2018 inclusive of all role players in the racing industry have, following a long absence, again commenced and are held on a regular basis. The key to a sustainable industry lies in the unification of purpose and recognition of the contribution that each participant can make to its success. Gold Circle has a strong framework of core competencies and will play a significant role in planning for the future of the industry.

With the uncertainty that has been created by both the collapse of Phumelela and the impact of the Covid pandemic, the Board and management have approved a sustainability strategy which is able to be implemented on short notice and should ensure the continuity of racing and betting in the province.

The Board and management are committed to find solutions to the many challenges that face the industry and thereby improve the economic returns to its stakeholders.

NP Butcher
Chairperson

Statement of Directors' Responsibility

The directors are responsible for the preparation and fair presentation of the consolidated annual financial statements of Gold Circle Proprietary Limited, comprising the consolidated statement of financial position as at 31 July 2020, and the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa. In addition, the directors are responsible for preparing the directors' report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the Group to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the consolidated financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of consolidated annual financial statements

The consolidated annual financial statements of Gold Circle Proprietary Limited, as identified in the first paragraph, were approved by the board of directors on 7 January 2021 and signed by:

N P Butcher
Chairman
Authorised Director

M Nairac
Chief Executive Officer
Authorised Director

Report of the Directors

1. Consolidated and separate financial statements

This report contains the consolidated annual financial statements of Gold Circle Racing Group. Separate financial statements for Gold Circle Proprietary Limited have been prepared.

2. Nature of business

The principal activities of the Group are to stage and promote race meetings, racing events, manage, administer and operate the racecourses, training centres, and the totalisator, bookmaking, hospitality and service divisions of the thoroughbred horse racing industry within the province of KwaZulu–Natal.

3. Review of results

	2020	2019
	R	R
Total comprehensive income for the year	**(96 472 276)**	4 078 326

4. Share capital

The fully issued share capital of Gold Circle Proprietary Limited comprises 2 000 ordinary shares of R1 each:		
Gold Circle Racing Club	**2 000**	2 000

5. Directors

The directors in office during the year and at the date of this report were:

Gold Circle Racing Group

N P Butcher (Chairperson)
J H S de Klerk
G Petzer
M M Nhlanhla
S N Mthethwa
Z Zulu
D T Moodie
M J L Nairac
P B Gibson (Resigned 03/08/2020)
L Nunan
P V Lafferty
P Mnganga
P L Loker
Y Pillay
C Moodley
D Chetty
L R Whiteford (Appointed 17/09/2020)

6. Group secretary

The secretary of the Group is Mr DJ Furness whose business address is 150 Avondale Road, Greyville, Durban, 4001.

7. Dividends

No dividends were declared or paid during the year (2019: Rnil).

8. Corporate governance

The Audit Committee, which consists only of non–executive directors, has met with the Group's independent auditors and executive management to discuss accounting, auditing, internal control and financial reporting matters. The Group has an internal audit department which reports directly to the Audit Committee.

8. Corporate governance (continued)

The following standing committees have been appointed:

Audit Committee	J H S de Klerk(Chairperson) C Moodley	Z Zulu
Remuneration Committee	G Petzer (Chairperson)	P Lafferty
Risk Committee	J H S de Klerk (Chairperson) C Moodley	Z Zulu
Social and Ethics Committee	L Nunan (Chairperson) Z Zulu	M M Nhlanhla
Racing Committee	N P Butcher (Chairperson) P V Lafferty D Chetty E G R Hughes (Breeder representative)	J H S de Klerk P B Gibson (Resigned 03/08/2020) L Nunan A J Rivalland (Trainer representative)

9. Subsidiaries and associates

The subsidiaries and associates of the Group held directly and indirectly are as follows:

	Issued share capital	Percentage holding
	R	%
Natal Racing Properties Proprietary Limited	150 000	100
Gold Circle Gaming Investments Proprietary Limited	100	100
Track and Ball Proprietary Limited	200	70
Betting Information Technologies Proprietary Limited	240	100
Videotrac Proprietary Limited	100	100
Wozabets Gaming Proprietary Limited	120	30
Betsumor Gaming Proprietary Limited	120	30
Sports Tracking Proprietary Limited	35	35
Ezeefun Proprietary Limited	100	40

10. Special Resolution

On 28 July 2020, the shareholder of the Group passed various ordinary and special resolutions of the Group to release R70 million of ring-fenced investment funds, comprising a portion of the sale proceeds of Clairwood Racecourse held by subsidiary Natal Racing Properties Proprietary Limited, to be utilised to fund the operating activities of the Group.

11. Black empowerment initiatives

Gold Circle has a transformation policy which regulates its activities against Government's Broad Based Black Economic Empowerment Codes as gazetted in May 2017 and any amendments thereto. The Group's transformation initiatives are monitored by the Board of Directors through the Social and Ethics Committee, as well as the KwaZulu–Natal Gaming and Betting Board.

Report of the Directors (continued)

12. Covid - 19

On 14 March 2020, the National Government declared a national disaster as a result of the Covid-19 virus. The national lockdown forced all non-essential businesses to close. During this time revenues plummeted, with the only stream of income being virtual betting on foreign racing activities. Local racing resumed on 01 June 2020 behind closed doors. The KwaZulu Natal Gaming and Betting Board granted the Group permission to reopen betting outlets on 26 June 2020. The National lockdown has been amended to Level 1, but still precludes the public from, attending events and sporting activities in stadium environments. Horse racing continues to be featured behind closed doors and is closely monitored through the NHA. The Group has adhered to all required protocols to keep stakeholders in business.

13. Phumelela Gaming and Leisure Limited

During May 2020, Phumelela Gaming and Leisure Limited was placed in business rescue which has negatively impacted on and created multiple uncertainties for the Group for, inter alia, the following reasons:

a. various critical aspects of the day to day businesses of both companies are managed or operated jointly or by one of them on behalf of the other; and
b. The Group has a claim for R 74 369 168 against Phumelela Gaming and Leisure Limited as at 31 July 2020 in respect of indebtedness arising from regular and usual commercial transactions; and
c. Phumelela Gaming and Leisure Limited's business rescue practitioner has disputed the Group's ownership of shares in Phumelela Gold International Limited.

A major concern is the challenge against the Group's 39% shareholding in Phumelela Gold International Limited. Phumelela Gold International Limited was formed by Phumelela Gaming and Leisure Limited and the Group in 2002. It is based and operates in the Isle of Man. Phumelela Gold International Limited, today, is also a 50% shareholder in Premier Gateway International Limited ("Premier"), with the remaining 50% of Premier being owned by Tabcorp Europe Holdings Limited ("Tabcorp"). Premier is also based on the Isle of Man and operates a pari-mutuel tote hub there which commingles tote betting pools from South Africa and Australia as well as selling tote bets to large international betting syndicates and punters, earning commissions, fees and/or margins from these activities. The profits from Premier have historically been shared between its shareholders, Tabcorp and Phumelela Gold International Limited.

Since the formation of Phumelela Gold International Limited, Phumelela Gaming and Leisure Limited held the shares in Phumelela Gold International Limited, initially as nominee of the Phumelela Gold Enterprises Partnership and thereafter it has held, and continues to hold, the Group's shares in Phumelela Gold International Limited as nominee of the Group.

The beneficial flows of distributions were not hindered by these arrangements. Phumelela Gaming and Leisure Limited accounted to the Group on a monthly basis in respect of distributions from Phumelela Gold International Limited to which the Group was entitled.

The external auditors of the Group received direct confirmation from Phumelela Gaming and Leisure Limited of distributions made and attributable to the Group in respect of each financial year since the formation of Phumelela Gold International Limited. In some years these amounts were also confirmed by the Phumelela Gaming and Leisure Limited auditors.

The Phumelela Gaming and Leisure Limited business rescue plan proposed in August 2020 included information relating to the proposed sale by the business rescue practitioner of 100% of the issued shares of Phumelela Gold International Limited, with the sale proceeds to be applied for the benefit of Phumelela Gaming and Leisure Limited's creditors and shareholders. The Group objected to this proposed sale on the grounds that it is the owner of 39% of those shares.

The business rescue practitioner has disputed the Group's ownership of any Phumelela Gold International Limited shares and or any proceeds arising from the sale of the shares. The Group has initiated legal proceedings to resolve the issue. The carrying value of this investment in the Group's accounting records amounts to R 74 880 000 (2019: R 81 336 680).

The business rescue practitioner has also communicated that should he be successful in his claim that the Group has no right or title to any shares in Phumelela Gold International Limited, he intends to claim back from the Group all distributions made to the Group since 1 August 2013 pursuant to such shareholding.

Report of the Directors (continued)

13. Phumelela Gaming and Leisure Limited (continued)

The business rescue practitioner has also stopped paying the Group monies due to it arising from day-to-day commercial transactions and contractual obligations between the two businesses on the basis that the retention of such monies which are payable to the Group will serve as additional security for any claim he may have against the Group arising from the distributions made by Phumelela Gaming and Leisure Limited to the Group since 1 August 2013 pursuant to the Group's shareholding in Phumelela Gold International Limited.

The published Phumelela Gaming and Leisure Limited business rescue plan anticipates that all Phumelela Gaming and Leisure Limited Company assets will be disposed of and Phumelela Gaming and Leisure Limited will be liquidated by 31 December 2021. Accordingly, the Group will require to seek alternatives to the current co-operative agreements it has with Phumelela Gaming and Leisure Limited relating to inter alia, the operation of Tellytrack, international distribution of the televised racing picture, international tote commingling and the racing bureau to enable the continued operation of its business.

14. Going concern

During the 2020 year, the Group made a loss after tax of R95 815 165 (2019: profit after tax of R2 097 552). Total assets exceeded total liabilities by R674 361 850 (2019: 770 834 126). Current assets exceed current liabilities by R184 596 406 (2019: R233 511 825).

At 31 July 2020 the Group had:

a. cash resources of R24 million; and
b. access to an overdraft facility of R15 million; and
c. An investment portfolio valued at R 196 428 642 which is capable of being realised in cash in the short term which, subject to the approval of the shareholder by special resolution, can be accessed for use by the Group.

During the 2020 financial year, the Group experienced significant strain on its cash flows as a result of:

a. the non-payment of amounts owing by Phumelela Gaming and Leisure Limited and it ultimately being placed in business rescue;
b. tough economic conditions which prevailed in South Africa; and
c. the effects of the Covid-19 pandemic lockdown and subsequent restrictions on business activities.

Management has implemented many cost saving initiatives during the year as well as to explore and prepare mitigating actions to be taken as a result of the Phumelela Business Practitioner not honouring the terms and conditions of the day to day commercial relationships with Phumelela. These include:

a. reducing salaries and stakes;
b. engaging with alternative international channels/ partners for the sale of the racing picture internationally; adapting the current wagering system to enable it to integrate with other totalisator systems elsewhere in the world and making arrangements to co-mingle with such totes.

A forecast for the next two financial periods has indicated that the Group anticipates reaching a break-even in the 2021 financial year and returning to profitability in 2022 and at the date of this report, management anticipate that subject to no new Covid-19 related lockdown or restrictions on business activities being re-implemented that the Group has and will generate sufficient cash flows to continue operating for the foreseeable future.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Report of the Directors (continued)

15. Subsequent events

Cyber-attack

On 28 August 2020, the Group was subject to a cyber-attack. The attackers claimed to have extracted confidential information from the Group's information database, which they threatened to release unless the Group paid them a specified amount. The Group immediately engaged the services of forensic information technology specialists to establish the extent of the breach in security and to determine specific details on the information that was extracted.

The Group's information technology department was able to restore operations the next day and there was minimal business interruption.

The forensic team has to date confirmed that no information was extracted. The Group therefore did not breach the Protection of Personal Information Act.

Phumelela Gaming and Leisure Limited – creditors meeting

On 1 September 2020, Phumelela Gaming and Leisure Limited's business rescue practitioner convened a meeting of Phumelela Gaming and Leisure Limited creditors to consider the business rescue plan proposed by him during August 2020. As mentioned above, the published business rescue plan contemplated a proposed sale of 100% of the shares in Phumelela Gold International Limited and/or the sale by Phumelela Gold International Limited of its 50% shareholding in Premier Gateway International Limited. A dispute has been declared with the business rescue practitioner in regard to the Group's ownership of shares in Phumelela Gold International Limited which is currently the subject of litigation. This shareholding has a carrying value of R 74 880 000 in the Group's accounting records and is an important component of the Group's revenues, generating approximately R30 million per annum for the Group. As at the date of approval of the financial statements the legal proceedings have not been concluded.

Independent valuation of Premier Gateway International

Management has been informed that an independent valuation of Premier Gateway International Limited is to be conducted. This independent valuation could result in a material change in the value of the Group's shareholding in Phumelela Gold International Limited. In the event that this new valuation is materially different from the carrying value of the shareholding, it will need to be remeasured accordingly.

Sale of intangible assets

On 31 August 2020, the Group entered into a sale agreement with Hollywood Sportsbook KwaZulu-Natal Proprietary Limited for the sale of Shelly Beach and Brackenham fixed odds betting licences. The agreed selling price for both outlets was R4 million against the original purchase price for the licences of R4.5 million.

The sale agreement is pending the approval of the KwaZulu-Natal Gaming and Betting Board which is expected in the next 12 months. At 31 July 2020, these licences are accounted for as being held for sale and their value has been impaired to equal the recoverable amount of R4 million.

No matters which are material to the financial affairs of the Group, besides those mentioned above, have occurred between the statement of financial position date and the date of approval of the financial statements.

Independent Auditor's Report

To the shareholders of Gold Circle Proprietary Limited

Opinion

We have audited the consolidated financial statements of Gold Circle Proprietary Limited (the group) set out on pages 26 to 77, which comprise the consolidated statement of financial position as at 31 July 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Gold Circle Proprietary Limited as at 31 July 2020, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Gold Circle Racing and Gaming Group Annual Report 2020", which includes the report of the directors as required by the Companies Act of South Africa, mission statement, board of directors, entity information and the chairman's report. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report (continued)

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Inc.

Per David Read
Chartered Accountant (SA)
Registered Auditor
Director
7 January 2021

Pran Boulevard
6 Nokwe Avenue
Umhlanga Ridge
Durban
4000

Consolidated Statement of Financial Position

	Notes	2020	2019	2018
		R	R	R
			Restated*	Restated*
Assets				
Non-current assets				
Property, plant and equipment	3	**473 791 018**	479 327 156	495 229 058
Tellytrack investment	4	**-**	-	2 866 662
Investment in associate	5	**35**	35	35
Investment in Phumelela Gold International*	6/29	**74 880 000**	81 336 680	70 668 538
Loans receivable	7	**-**	975 334	1 579 429
Intangible assets	8	**29 709 275**	48 652 858	48 673 306
Deferred tax asset	9	**6 326 776**	9 699 752	8 107 441
		584 707 104	619 991 815	627 124 469
Current assets				
Inventories	10	**1 565 164**	2 114 197	2 503 235
Trade and other receivables	11	**75 195 349**	72 514 031	59 243 444
SARS receivable		**66 360**	124 906	-
Loans receivable	7	**974 598**	2 990 863	4 427 867
Cash and cash equivalents	12	**24 049 178**	41 696 402	29 264 159
Investments	13	**196 428 642**	229 318 934	262 348 426
		298 279 291	348 759 333	357 787 131
Non–current asset held for sale	8	**4 000 000**	5 600 000	-
Total assets		**886 986 395**	974 351 148	984 911 600
Equity and liabilities				
Equity reserves				
Share capital	14	**2 000**	2 000	2 000
Available-for-sale fair value reserve		**-**	-	13 048 557
Fair value reserve		**13 653 780**	15 261 891	-
Revaluation reserve		**218 795 285**	218 795 285	218 795 285
Post–retirement medical aid reserve		**4 140 600**	3 189 600	3 422 160
Retained earnings		**446 497 962**	538 685 766	534 982 244
		683 089 627	775 934 542	770 250 246
Non–controlling interests		**(8 727 777)**	(5 100 416)	(3 494 446)
Total equity		**674 361 850**	770 834 126	766 755 800
Non–current liabilities				
Finance lease liabilities	15.1	**8 593 503**	-	-
Right of use liability	15.2	**3 979 332**	-	-
Borrowings	18	**-**	6 491 785	3 885 140
Deferred tax liability	9	**63 496 761**	63 030 914	65 274 534
Tellytrack funding	4	**9 818 064**	2 920 815	-
Post–employment medical aid obligations	16	**9 054 000**	10 226 000	9 950 000
		94 941 660	82 669 514	79 109 674
Current liabilities				
Post–employment medical aid obligations	16	**1 131 000**	1 123 000	1 220 000
Trade and other payables	17	**38 467 186**	74 737 227	82 569 349
Share of losses of associate	5	**650 922**	507 878	283 852
Borrowings	18	**17 368 309**	5 021 522	15 515 044
Provisions	19	**10 348 531**	-	-
Finance lease liability	15.1	**4 638 557**	-	-
Right of use liability	15.2	**5 620 499**	-	-
Gold Circle Racing Club	18	**39 457 881**	39 457 881	39 457 881
		117 682 885	120 847 508	139 046 126
Total liabilities		**212 624 545**	203 517 022	218 155 800
Total equity and liabilities		**886 986 395**	974 351 148	984 911 600

*Refer to note 6 and 29

Consolidated Statement of profit and loss and other Comprehensive Income

	Note	2020 R	2019 R Restated
Gross wagering revenue		**217 443 256**	314 079 884
Provincial tax		**(17 109 561)**	(23 723 768)
Net wagering revenue	*20*	**200 333 695**	290 356 116
Less: Agents commission and other direct costs	*21*	**(17 861 727)**	(28 541 682)
Less: Wagering expenditure	*21*	**(124 770 769)**	(169 229 388)
Contribution to racing from wagering activities		**57 701 199**	92 585 046
Add: Contribution to racing from third party bookmaking activities	*20*	**37 185 151**	46 179 834
Stand up and information fees		**2 007 200**	2 060 775
Tax on punters winnings	*22*	**35 177 951**	44 119 059
International income	*20*	**68 934 299**	86 761 208
Net share of international licence fees		**37 560 259**	52 681 877
Share of income from Phumelela Gold International		**31 374 040**	34 079 331
Gross wagering revenues available for racing activities		**163 820 649**	225 526 088
Add: Direct racing revenue	*20*	**53 597 829**	78 500 897
Add: Eventing revenue	*20*	**4 953 724**	10 825 144
Gross revenues available for racing activities		**222 372 202**	314 852 129
Share of loss in Tellytrack	*20*	**(14 765 539)**	(9 837 016)
Income available for racing activities		**207 606 663**	305 015 113
Less: Racing expenditure	*21*	**(264 874 452)**	(326 621 234)
Operating expenditure for racecourses and training facilities		**(164 343 643)**	(176 192 323)
National Horseracing Authority – regulatory costs		**(15 628 105)**	(18 415 301)
Stakes – gross		**(73 499 049)**	(114 781 025)
Stakes – breeders		**(1 280 775)**	(6 896 406)
Contribution to jockey's remuneration and insurance		**(10 122 880)**	(10 336 179)
Net loss before impairment		**(57 267 789)**	(21 606 121)
Less: Impairments on loans receivable and goodwill	*23*	**(37 730 688)**	(920 448)
Less: Impairment of trade receivables		**(903 770)**	(512 351)
Net loss before financing and taxation		**(95 902 247)**	(23 038 920)
Add: Finance income*	*24.1*	**2 466 916**	786 638
Less: Finance costs	*24.2*	**(3 352 671)**	(1 535 315)
Add: Dividend income	*24.3*	**2 677 550**	5 813 712
Add: Fair value adjustments*	*24.4*	**2 217 551**	14 762 043
		(91 892 901)	(3 211 842)
Loss on equity accounted associates	*5*	**(143 044)**	(224 026)
Loss before taxation		**(92 035 945)**	(3 435 868)
Income taxation	*25*	**(3 779 220)**	5 533 420
(Loss)/Profit for the year		**(95 815 165)**	2 097 552
Loss attributable to:			
Owners of the Group		**(92 187 804)**	3 703 522
Non–controlling interest		**(3 627 361)**	(1 605 970)
(Loss)/Profit for the year		**(95 815 165)**	2 097 552
Other comprehensive income		**(657 111)**	1 980 774
Items that will not be reclassified into profit and loss:			
Post–retirement medical aid	*16*	**951 000**	(323 000)
Taxation of post–retirement medical aid		**-**	90 440
Net change in fair value of investments		**(1 768 821)**	2 578 050
Taxation on change in fair value of investments		**160 710**	(364 716)
Total comprehensive income for the year		**(96 472 276)**	4 078 326
Total comprehensive income for the year attributable to:			
Owners of the Group		**(92 844 915)**	5 684 296
Non–controlling interest		**(3 627 361)**	(1 605 970)
		(96 472 276)	4 078 326

*Refer to note 29

Consolidated Statement of Changes in Equity

	Share Capital	Revaluation reserve	Available for sale fair value reserve	Fair value reseve	Post-retirement medical aid Reserve	Retained earnings	Total	Non-controlling interests	Total
	R	R	R	R	R	R	R	R	R
	a	*b*		*c*	*d*	*e*		*f*	
Balance at 31 July 2018	2 000	218 795 285	13 048 557	-	3 422 160	464 313 706	699 581 708	(3 494 446)	696 087 262
Transfer to fair value reserve – adjustment on initial application of IFRS 9	-	-	(13 048 557)	13 048 557	-	-	-	-	-
Balance at 31 July 2018	**2 000**	**218 795 285**	**-**	**13 048 557**	**3 422 160**	**464 313 706**	**699 581 708**	**(3 494 446)**	**696 087 262**
Impact of correction of error*	-	-	-	-	-	70 668 538	70 668 538	-	70 668 538
Total comprehensive income restated*	-	-	-	2 213 334	(232 560)	3 703 522	5 684 296	(1 605 970)	4 078 326
Loss for the year restated*	-	-	-	-	-	3 703 522	3 703 522	(1 605 970)	2 097 552
Other comprehensive income	-	-	-	2 213 334	(232 560)	-	1 980 774	-	1 980 774
Balance at 31 July 2019 restated*	**2 000**	**218 795 285**	**-**	**15 261 891**	**3 189 600**	**538 685 766**	**775 934 542**	**(5 100 416)**	**770 834 126**
Total comprehensive income	**-**	**-**	**-**	**(1 608 111)**	**951 000**	**(92 187 804)**	**(92 844 915)**	**(3 627 361)**	**(96 472 276)**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(92 187 804)**	**(92 187 804)**	**(3 627 361)**	**(95 815 165)**
Other comprehensive income	**-**	**-**		**(1 608 111)**	**951 000**	**-**	**(657 111)**	**-**	**(657 111)**
Balance at 31 July 2020	**2 000**	**218 795 285**	**-**	**13 653 780**	**4 140 600**	**446 497 962**	**683 089 627**	**(8 727 777)**	**674 361 850**

Notes to the statement of changes in equity

The Group's reserves are represented by the following:

a Share capital represents the Group's issued share capital held by outside shareholders.

b Revaluation reserves arising on fair value adjustments to property plant and equipment.

c Fair value reserves arising from financial assets recognised as fair value through other comprehensive income.

d Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses.

e The retained earnings represent the cumulative historic profit and loss reinvested in the Group. No restrictions exist on the use of the retained earnings.

f The non-controlling interest represents the cumulative historic total comprehensive income attributable to the minority shareholders.

Refer to note 29

Consolidated Statement of Cash Flows

	Notes	2020	2019
		R	R
Cash flows from operating activities			
Cash utilised in operations	*26*	**(73 261 352)**	(12 031 744)
Interest paid	*24.2*	**(2 984 362)**	(1 509 140)
Interest income received		**11 048 767**	4 589 938
Interest received	*24.1*	**2 374 536**	496 037
Investment income received	*24.4*	**8 674 231**	4 093 901
Dividends received	*24.3*	**2 677 550**	5 813 712
Net cash outflow from operating activities		**(62 519 397)**	(3 137 234)
Cash flows from investing activities			
Purchase of property, plant and equipment*	*3*	**(8 330 874)**	(4 850 941)
Proceeds on disposal of property, plant and equipment		**1 240 848**	229 197
Net movement in loans receivable	*7*	**1 120 240**	2 331 700
Proceeds from repayments of loans receivable	*7*	**1 120 240**	2 885 711
Advances		**-**	(554 011)
Acquisition of intangible assets	*8*	**-**	(6 500 000)
Proceeds from disposal of intangible assets		**5 600 000**	-
Acquisition of other investments		**(11 670 993)**	(29 964 969)
Proceeds from disposal of other investments		**49 318 212**	69 680 500
Net cash inflow from investing activities*		**37 277 433**	30 925 487
Cash flows from financing activities			
Payment of post–retirement medical obligation	*16*	**(213 000)**	(144 000)
Payment of borrowings		**57 000 000**	-
Advances in respect of borrowings		**(40 000 000)**	(10 517 888)
Payments in respect of finance leases liability	*15.1*	**(4 332 854)**	(4 694 122)
Payments in respect of right of use lease liabilities	*15.2*	**(4 859 406)**	-
Net cash inflow/(outflow) from financing activities		**7 594 740**	(15 356 010)
Net (decrease)/increase in cash and cash equivalents		**(17 647 224)**	12 432 243
Cash and cash equivalents at beginning of the year		**41 696 402**	29 264 159
Cash and cash equivalents at end of the year	*12*	**24 049 178**	41 696 402

*The increase in finance leases has been set off against asset additions to better reflect the actual cash flow movement. The reclassification has resulted in the following changes to the 2019 statement of cashflow:

1. Purchase of property, plant and equipment decreased from R12 149 899 by R7 298 958 to reflect a restated amount of R4 850 941.
2. Cash inflows from investing activities increased from R23 555 304 by the same amount to reflect a restated amount of R30 854 262.
3. Payments in respect of finance leases liability decreased from R7 913 052 by the same amount to reflect a restated amount of R4 694 122. This was included in borrowings in the prior year.
4. Cash outflows from financing activities of R8 030 877 increased by the same amount to R15 329 835.

Except for the above, all comparative figures presented remain unchanged.

Accounting Policies

1. Accounting policies

1.1 Reporting entity

Gold Circle Proprietary Limited is a Group domiciled in the Republic of South Africa. The address of the Group's registered office is 150 Avondale Road, Greyville. The consolidated financial statements of the Group for the year ended 31 July 2020 comprise the Group, its subsidiaries, associates and partnership (together referred to as the "Group").

The financial statements were authorised for issue by the directors on 6 January 2021.

The financial statements incorporate the following principal accounting policies as set out below. The accounting policies of the subsidiaries are consistent with those of the holding Group.

1.2 Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Company's Act of South Africa. Separate financial statements for Gold Circle Proprietary Limited have been prepared.

(b) Basis of measurement

The methods used to measure fair values are discussed further in note 1.3(d).

(c) Functional and presentation currency

The consolidated financial statements are presented in South African Rands, which is the Group's functional currency.

(d) Use of estimates, assumptions and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

(d) Use of estimates, assumptions and judgements (continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 3 Property, plant and equipment – reassessment of useful lives of moveable assets
- Note 8 Intangible assets – impairment considerations in respect of goodwill and licences
- Note 9 Deferred tax asset – recoverability of the deferred tax asset
- Note 11 Trade and other receivables – impairment considerations in respect of trade debtors, specifically management's judgement on the impairment raised with respect to the amount owing by Phumelela Gaming and Leisure Limited
- Note 16 Post–retirement medical aid obligation – inputs to the independent valuation of the fund

1.3 Significant accounting policies

(a) Basis of consolidation

(i) Subsidiaries

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group controls an investee only if the Group has all the following:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the Group's returns.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until control ceases.

(ii) Transactions eliminated on consolidation

Intragroup balances and transactions, and any unrealised income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity–accounted associates are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iii) Non–controlling interests

Non–controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(b) Changes in accounting policies

The Group initially applied IFRS 16 Leases from 1 August 2019. A number of other new standards are also effective from 1 January 2019 but they do not have a material effect on the Group's financial statements.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application recognised is in retained earnings in 1 August 2019. Accordingly, the comparative information presented for 2019 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether and arrangement contains a lease. The Group now assesses whether a contract is or contains a lease based on the definition of a lease.

(b) Changes in accounting policies (continued)

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contract entered unto or changed on or after 1 August 2019.

As a lessee

As a lessee, the Group leases property. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises the right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

However, for leases of property the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

Leases classified as operating leases

Previously, the Group classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate at 1 August 2019. See note 15.2. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- used hindsight when determining the lease term.

As lessor

The Group sub-leases some of its properties. Under IAS 17, the head sub lease and sub-lease contracts were classified as operating leases. The Group assessed the classification of the sub-lease contracts with reference to the right-of-use assets rather than the underlying asset, and concluded that they are operating leases under IFRS 16.

Impact of financial statements

Impact on transition

On transition to IFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

	1 August 2019
	R
Right-of-use assets – property, plant and equipment	14 177 894
Lease liabilities	(14 894 954)

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 August 2019 of 10%. The company has elected to apply the practical expedient per IFRS 16 where a lessee may apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

	1 August 2019
	R
Operating lease commitments as at 31 July 2019 as disclosed under IAS 17 in the Group's financial statements	13 802 354
Less: short-term leases exempt under IFRS 16	(272 424)
	13 529 930
Discounted using the incremental borrowing rate at 31 July 2019	(2 234 626)
Lease liabilities to be recognised at 01 August 2019	11 295 304

(c) Property, plant and equipment

Recognition and measurement

Land and buildings are shown at fair value, based on periodic, but at least three-yearly, valuations by external independent valuators, less subsequent depreciation for buildings. Increases in the carrying amount arising on revaluation of land and buildings are credited to revaluation reserves in shareholder's equity. Decreases that offset previous increases of the same asset are charged against revaluation reserves directly in equity. All other decreases are charged to the statement of profit and loss and other comprehensive income. The revaluation surplus is transferred to retained earnings upon disposal of an item of property, plant and equipment.

Movable items of property, plant and equipment are measured at historical cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

Items of property, plant and equipment are depreciated from the date that they are installed and ready for use.

Item	**Depreciation method**	**Average useful life**
Buildings	Straight line	Over 20 years
Plant, vehicles and equipment	Straight line	3 to 6 years
Right-of-use assets	Straight line	Over the lease term

Depreciation methods, useful lives and residual values are reassessed at the reporting date and adjusted if appropriate.

(d) Financial instruments

Financial assets comprise of cash and cash equivalents, investments, loans to related parties and trade and other receivables.

Financial liabilities comprise of lease liabilities, provisions, loans to related parties and trade and other payables.

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI-debt investment; FVOCI – equity investment; or FVTPL.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit and loss (FVTPL) or fair value through other comprehensive income (FVOCI):

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(d) Financial instruments (continued)

On initial recognition of an equity investment that is not held for trading, the Group may irrecoverably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost of FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrecoverably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and gains or losses on exchange rates are recognised in profit or loss. Any gain or loss on de-recognition is also recognised in profit or loss.

Subsequent measurement and gains and losses:

Trade and other receivables, cash and cash equivalents and related party loans are measured at amortised cost using the effective interest method.

Financial assets at amortised costs are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairments are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets at fair value through profit or loss are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Equity instruments through other comprehensive income are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income (OCI) and are never reclassified to profit or loss.

Debt instruments at fair value through OCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

De-recognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On de-recognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

Derivative financial instruments

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised in profit or loss.

Derivatives comprise of deferred income and movements in deferred income is recognised as net gaming income in the statement of profit and loss and other comprehensive income

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Impairment of financial assets

The Group recognises loss allowances for expected credit losses (ECL) on financial assets measured at amortised costs.

Impairment

The Group measures loss allowances at an amount equal to lifetime ECL, except for the
following, which are measured at 12-month expected credit losses (ECL):

- Debt securities that are determined to have low credit risk at the reporting date; and
- Bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due. The credit risk has been assessed in note 30.4

The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- From previous experience, the financial asset is more than 365 days past due.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECL are discounted at the effective interest rate of the financial asset.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

(e) Impairment of non-financial assets

The carrying amount of the Group's non-financial assets excluding inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite-life intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in other comprehensive income to the extent of any previous revaluation reserves. Any excess impairment is recognised in profit or loss.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit, and then to reduce the carrying amounts of the other assets in the cash generated unit on a pro rata basis.

Accounting Policies (continued)

(f) Intangible assets

Goodwill that arises on the acquisition of businesses is presented with intangible assets.

Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investments, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity-accounted investee as a whole.

Intangible assets are measured at cost less accumulated impairment losses. Intangible assets that have indefinite useful lives are not required to be amortised however required to be tested for impairments annually. Impairments are accounted for through profit and loss. The initial costs capitalised to intangible assets consists of the purchase price of the fixed odds licence.

(g) Leased assets

Policy applicable from 01 August 2019

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

This policy is applied to contracts into, on or after 1 August 2019. At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether the contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 August 2019.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of the costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise fixed payments.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in 'property, plant and equipment' and lease liabilities on the face of the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Group acts as lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease.

(g) Leased assets (continued)

As a lessor (continued)

When the Group is an intermediate lessor, it accounts for its interest in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration on the contract.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of “other revenue”.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16. For contracts entered into before 1 August 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent in the use of a specific asset or assets; an
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset asset if one of the following was met:
- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

As a lessee

In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group’s statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

As a lessor

When the Group acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Group made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Group considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the first in first out (FIFO) formula. When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(i) Determinations of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to the asset or liability.

When measuring the fair values of an asset and liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in the fair value hierarchy based on inputs used in the valuation technique as follows:

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liabilities, either directly (i.e.as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

(j) Employee benefits

Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods.

The calculation of defined benefit obligations is performed every two years by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, is recognised immediately in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed, the resulting change in benefit that relates to past service is recognised immediately in profit or loss. The Group recognised gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Employee entitlements to annual leave are recognised when they accrue. An accrual is made for the estimated liability for accumulated leave as a result of services rendered up to the reporting date.

(k) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Accounting Policies (continued)

(l) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(m) Interests in equity-accounted associates

The Group's interests in equity-accounted associates comprise of interests in associates and joint ventures.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interests in associates and joint ventures are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the financial statements include the Group's share of the profit or loss of equity accounted associates and joint ventures, until the date on which significant influence or joint control ceases.

Once the entity's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the entity has incurred legal or constructive obligations on behalf of the equity accounted associates.

(n) Revenue

The following table provides information about the nature and timing of the satisfaction of performance obligations with customers, including significant payment terms. A performance obligation is a promise to provide a "distinct" good or service to a customer.

Type of goods or services	Nature and timing of performance obligation, including significant payment terms	Revenue recognition
Net wagering revenue	Net wagering revenue comprises totalisator betting and bet gaming income. Totalisator betting: Customers (punters) obtain control when bets are struck on the totalisator wagering system for any sporting event. Betting transactions (tickets if over the counter or transactions if through telephonic or internet betting) are generated at that point in time. Dividends from winning bets struck are payable once the sporting event has resulted. Commission on these bets struck is earned by the Group. Net gaming income: Net gaming income is derived from total bets struck less payouts made to punters and provincial tax. Income received in advance from punters are based on bets placed against the occurrence/non-occurrence of an event that is not in control of the entity or punter.	Revenue from the commission is recognised when the result of the betting event is finalised on a daily basis. The result of the betting event is the performance obligation. Revenue from net gaming income is recognised when the result of the betting event is finalised on a daily basis. The result of the betting event is the performance obligation. IFRS 9 is applicable to net gaming income
Contribution to racing from third party bookmaking activities	Customers (bookmakers) obtain control when they sell the Group's horseracing betting products through fixed odd channels. As a contribution towards the horseracing industry the local gambling board collects this contribution in the form of additional horseracing tax on behalf of the Group and deposits the tax in arrears monthly.	Revenue from the bookmakers, recognised as taxes are earned for each horseracing betting product. The performance obligation is the sale of the Group's horseracing betting product through fixed odds channels.
Share of international licence fee	Customers (international totalisator operators) obtain control when it selects the Group's horseracing television broadcast to be displayed in their betting outlets for their punters to strike bets. This broadcast is controlled by the Tellytrack partnership to enable synergies of international sales from South Africa. Betting transactions (tickets if over the counter or transactions if through telephonic or internet betting) are generated at that point in time.	Revenue from the licence fees are recognised monthly for the Group's share of international sales.
Share of profits from Phumelela Gold International	Dividends from winning bets struck are payable once the horseracing event has resulted. Licence fees on these bets struck is earned by the Group. Invoices are generated monthly.	The performance obligation is having the Group's television broadcast displayed in international betting outlets.
Direct racing revenues	Invoices for stabling income, sponsorships, entrance tickets horseracing nominations and acceptances and members' subscriptions are issued on a daily and monthly basis and are payable within 60 days of invoice.	Revenue is recognised when the event has taken place.
Eventing revenue	Invoices for eventing goods and services are issued on a daily basis when an event takes place and are payable in advance.	Revenue is recognised when the event has taken place.
Catering income	Invoices for sale of food and beverages are issued on a daily basis and are payable immediately on supply.	Revenue is recognised at a point in time as the goods and services are provided.
LPM Commission	Customers obtain control when bets are placed at the slot machines.	Revenue from slots machine is recognised immediately upon the customer play. The result of the betting event is the performance obligation.

(o) Government grants

The Group recognises government grants related to the Temporary Employee Relief Scheme in profit or loss as an off-set to operating expenses once the grant has been approved.

Accounting Policies (continued)

(p) Finance income and finance costs

The Group's finance income and finance costs include interest income, interest expense, the net gain or loss on the disposal of investments, and the net gain or loss on financial assets at fair value through profit or loss.

Interest income or expense is recognised using the effective interest method.

(q) Dividend income

Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

(r) Income taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity as other comprehensive income.

Current tax

Current tax is the expected tax payable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects either accounting nor taxable profit or loss.

A deferred tax asset is recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

(s) Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements.

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control of the reporting entity;
(ii) has significant influence over the reporting entity; or
(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
(vi) The entity is controlled or jointly controlled by a person identified in (a).
(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
(viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

New Standards and Interpretations

2 New standards and interpretations

2.1 Standards and interpretations not yet effective

A number of new standards and interpretations are effective for annual periods beginning after 1 August 2020. The Group has not early adopted any new or amended standards in preparing these financial statements.

At the date of authorisation of the financial statements the following standards and interpretations were in issue but not yet effective:

Standard/Interpretation		Date issued by IASB	Effective date Periods beginning on or after
Conceptual framework amendments	Amendments to references to conceptual framework in	March 2018	1 January 2020
IFRS 3 amendment	IFRS standards	October 2018	1 January 2020
IAS 1 and 8 amendments	Definition of a business	October 2018	1 January 2020
IFRS 9, IAS 39 and IFRS 7 amendments	Amendments to the definition of material	August 2019	1 January 2020
IFRS 16 amendment	Amendments to interest rate benchmark reform	May 2020	1 June 2020
IAS 37 amendment	Onerous contracts: cost of fulfilling a contract	May 2020	1 January 2022
IFRS 1, IFRS 9, IFRS 16 and IAS 41 amendments	Annual improvements to IFRS standards (2018 – 2020)	May 2020	1 January 2022
IAS 16 amendment	Property, plant and equipment: proceeds before intended use	May 2020	1 January 2022
IFRS 3 amendment	Reference to the conceptual framework	May 2020	1 January 2022
IAS 1 amendment	Classification of liabilities as current or non-current	January 2020	1 January 2023
IFRS 10 and IAS 28 amendment	Sale or contribution of assets between an investor and its associate or joint venture	September 2014	Deferred indefinitely

All standards and interpretations will be adopted at their effective date (except for those standards and interpretations that are not applicable to the Group). The effect of the changes is not expected to have a material effect to the financial statements.

Notes to the Consolidated Financial Statements

3. Property, plant and equipment

2020	Cost	Accumulated depreciation and impairment	Carrying amount
	R	R	R
Land	46 265 700	-	46 265 700
Leasehold buildings	139 389 889	(59 977 353)	79 412 536
Freehold buildings	388 114 934	(96 042 643)	292 072 291
Plant, vehicles and equipment	174 931 908	(127 450 432)	47 481 476
Assets under construction	363 491	-	363 491
Right-of-use assets	14 284 726	(6 089 203)	8 195 523
	763 350 648	(289 559 631)	473 791 017

	Land	Leasehold buildings	Freehold buildings	Plant, vehicles and equipment	Assets under Construction	Right of use assets	Total
Movement in carrying amount	R	R	R	R	R	R	R
Carrying amount at beginning of year	46 265 700	83 828 358	299 100 823	49 706 286	425 989	-	479 327 156
Additions	-	2 378 701	701 824	10 938 463	363 491	-	14 382 479
Initial application of IFRS 16	-	-	-	-	-	14 177 895	14 177 895
Gain on remeasurement of right of use assets	-	-	-	-	-	106 832	106 832
Transfers	-	78 561	-	347 428	(425 989)	-	-
Disposals	-	(82 924)	-	(493 149)	-	-	(576 073)
Depreciation	-	(6 790 160)	(7 730 357)	(13 017 552)	-	(6 089 203)	(33 627 272)
Carrying amount at end of year	46 265 700	79 412 536	292 072 290	47 481 476	363 491	8 195 524	473 791 017

	Cost	Accumulated depreciation and impairment	Carrying amount
2019	R	R	R
Land	46 265 700	-	46 265 700
Leasehold buildings	137 015 551	(53 187 193)	83 828 358
Freehold buildings	387 413 108	(88 312 285)	299 100 823
Plant, vehicles and equipment	164 139 166	(114 432 880)	49 706 286
Assets under construction	425 989	-	425 989
	735 259 514	(255 932 358)	479 327 156

	Land	Leasehold buildings	Freehold buildings	Plant, Vehicle and equipment	Assets under construction	Total
Movement in carrying amount	R	R	R	R	R	R
Carrying amount at beginning of year	46 265 700	85 803 342	306 720 066	54 347 862	2 092 088	495 229 058
Additions	-	4 360 778	110 015	7 495 357	183 749	12 149 899
Transfers	-	365 073	-	1 484 775	(1 849 848)	-
Disposals	-	-	-	(164 655)	-	(164 655)
Depreciation	-	(6 700 835)	(7 729 258)	(13 457 053)	-	(27 887 146)
Carrying amount at end of year	46 265 700	83 828 358	299 100 823	49 706 286	425 989	479 327 156

Notes to the Consolidated Financial Statements

3. Property, plant and equipment (continued)

The Group's land and buildings were last revalued on 31 July 2018 by an independent valuator, Roper and Associates Property Valuers (Rob Roper). Valuations were made on the basis of recent market transaction at arm's length terms. The revaluation surplus, net of applicable deferred income taxes, was credited to revaluation reserves. No revaluation has been performed in the current year or prior year. Management have assessed the valuation done in 2018 is still relevant for the current year.

Valuations were made on the basis of recent market transactions at arm's length terms. These inputs are considered as Level 3 inputs as the inputs which the valuation relies on are directly or indirectly observable quoted prices other than those included within Level 1. The revaluation surplus, net of applicable deferred income taxes, was credited to non-distributable reserves. No revaluation was performed in the current year or prior year. Management have assessed the valuation of land and buildings as at 31 July 2020 and have concluded that there is no significant movement since the valuation performed in 2018.

A register detailing the descriptions, situation and date of acquisition of property plant and equipment is available for inspection at the registered office of the Group.

Land and buildings were revalued during the financial year. If land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2020	2019
	R	R
Cost	**220 516 923**	219 815 099
Accumulated depreciation	**(33 946 323)**	(29 528 919)
	186 570 600	190 286 180

Assets under construction

Assets under construction relate to various capital projects undertaken by the Group that are incomplete as at the year end. These include building upgrades and training tracks expansions.

Finance leased assets

Finance amount obligations are secured by lease agreements over property, plant and equipment with a carrying value of R17 698 754 (2019: R12 753 461). Refer to note 15.1.

4. Tellytrack funding

	2020	2019
	R	R
Partnership loss	**14 765 539**	9 837 016
Partnership funding	**(4 947 475)**	(6 916 201)
	9 818 064	2 920 815
Funding/(investment) at the beginning of the year	**2 920 815**	(2 866 662)
Partnership loss	**14 765 539**	9 837 016
Partnership funding	**(7 868 290)**	(4 049 539)
Funding at the end of year	**9 818 064**	2 920 815
Financial information of Tellytrack Partnership		
Assets	**14 015 350**	27 649 740
Liabilities	**45 193 473**	37 657 721
Revenue	**70 079 615**	113 533 288
Loss for the year	**103 891 752**	47 042 339
Interest held	**24.96%**	24.96%
Profit share	**24.96%**	24.96%

Notes to the Consolidated Financial Statements

4. Tellytrack funding (continued)

The three racing operators in South Africa are Gold Circle Proprietary Limited, Phumelela Gaming and Leisure Limited and Kenilworth Racing Proprietary Limited. These operators have formed the Tellytrack Partnership to pool audio visual content that each of the partners create at their respective racecourses. This content together with imported product from international racing jurisdictions is broadcast on a DSTV channel 249. The picture is disseminated to local and international betting operators who wish to sell racing in their betting outlets. Tellytrack charges these betting operators for the broadcasting services. The territory of Tellytrack is South Africa, Namibia and Zimbabwe only.

The Group has a 24.96% (2019: 24.96%) interest in the Tellytrack Partnership which is a joint venture between Gold Circle Proprietary Limited, Kenilworth Racing Proprietary Limited and Phumelela Gaming and Leisure Limited. Profits and losses are shared in accordance with the Tellytrack partnership agreement. The activities of the joint venture are considered material to the Group. Gold Circle Proprietary Limited does not have control over the partnership.

The principal place of business is 79th Avenue and Wessel Rd, Rivonia, Johannesburg, Gauteng, South Africa, 2128.

Since 2012 there has been a dispute with Bookmakers and the Tellytrack partnership on the Tellytrack fee for the commercial use of the channel. In April 2020 the Bookmakers and Tellytrack had resolved the fees that would be paid for commercial use of the channel. As at year end Tellytrack was still in the process of contracting and accounting for the new fees, refunds that would be due to Bookmakers that had overpaid fees and invoicing bookmakers who had not paid any fees for use of the channel. These amounts have not been determined; however, management estimate an amount is due to the company. The refunds owing to bookmakers by Tellytrack could be a potential obligation for the company.

5. Investment/share of losses of associates

The Group has determined that is has significant influence over these associates, because the Group has more than 20% holding in the associates as well as representation on the board.

The decision–making capacity that drives the relevant activities within Betsumor Gaming Proprietary Limited, Wozabets Gaming Proprietary Limited, Sports Tracking Proprietary Limited and Ezeefun Proprietary Limited lies with the Board of Directors, in which the Group does not control the majority of the voting rights. The Group therefore does not have power over the relevant activities of these companies. As a result, the Group does not consolidate these associates. These associates are not considered material to the Group.

The Group is contractually obligated to share in the losses experienced by the associates. As a result, the losses incurred by the associate are equity accounted.

The voting rights and loss sharing percentage applicable to the associates is as follows:

	2020	2019
	%	%
Betsumor Gaming Proprietary Limited	**30**	30
Wozabets Gaming Proprietary Limited	**30**	30
Ezeefun Proprietary Limited	**40**	40
Sports Tracking Proprietary Limited	**35**	35

Notes to the Consolidated Financial Statements

5. Investment/share of losses of associates (continued)

	2020	2019
Share of loss/(profit) from equity accounted associates	**R**	R
Betsumor Gaming Proprietary Limited	**188 722**	97 589
Wozabets Gaming Proprietary Limited	**44 315**	67 283
Ezeefun Proprietary Limited	**(89 993)**	59 154
	143 044	224 026
Net investment in associates		
Balance at the beginning of the year	**507 878**	283 852
Loss/(profit) in associates		
Betsumor Gaming Proprietary Limited	**188 722**	97 589
Wozabets Gaming Proprietary Limited	**44 315**	67 283
Ezeefun Proprietary Limited	**(89 993)**	59 154
Balance at the end of the year	**650 922**	507 878
Disclosed as follows on the consolidated statement of financial position:		
Investment in associates	**35**	35
Share of losses in associates	**(650 922)**	(507 878)

The associates registered office is at 150 Avondale Road, Greyville.

Financial information of associates	**Ezeefun Proprietary Limited**	**Betsumor Gaming Proprietary Limited**	**Wozabets Gaming Proprietary Limited**
2020	**R**	**R**	**R**
Assets	**425 733**	**1 466 420**	**764 728**
Liabilities	**412 105**	**2 986 476**	**1 446 816**
Revenue	**1 921 617**	**1 879 649**	**1 395 178**
Profit/(Loss) for the year	**224 981**	**(629 072)**	**(147 715)**
2019			
Assets	186 462	790 168	504 546
Liabilities	397 815	1 681 152	1 038 919
Revenue	1 159 686	1 127 125	879 201
Loss for the year	(147 866)	(325 298)	(224 275)

6. Investment in Phumelela Gold International

	2020	2019
	R	R
Gross investment in Phumelela Gold International	**117 000 000**	127 088 563
Obligation to Kenilworth Racing Proprietary Limited	**(42 120 000)**	(45 751 883)
Net investment in Phumelela Gold International	**74 880 000**	81 336 680

The investment in Phumelela Gold International was recognised in the current year. Refer to note 29.

Notes to the Consolidated Financial Statements

7. Loans receivable	2020	2019
	R	R
Non–current: unsecured and interest bearing		
Summerhill Stud Farm	**-**	799 406
This loan was unsecured, bore interest linked to prime and has been paid during the current year		
Betsumor Gaming Proprietary Limited	**-**	74 388
Wozabets Gaming Proprietary Limited	**-**	101 540
These loans were unsecured, bore interest at 10% and have been repaid during the year.		
	-	975 334
Current		
Horseracing SA Proprietary Limited	**-**	811 020
Provision for impairment on Horseracing SA Proprietary Limited	**-**	(811 020)
This loan was unsecured, bore interest linked to prime and was repayable over 6 years. This loan was repaid during the year.		
Sports Tracking Proprietary Limited	**1 963 738**	2 015 773
Provision for impairment on Sports Tracking Proprietary Limited	**(1 963 738)**	-
This loan is unsecured, bears no interest and is repayable on demand.		
Global Lotto Nigeria Limited	**1 101 157**	1 101 157
Provision for impairment on Global Lotto Nigeria Limited	**(1 101 157)**	(1 101 157)
This loan is unsecured, bears interest at 10% and is repayable on demand.		
Wozabets Gaming Proprietary Limited	**-**	92 871
Betsumor Gaming Proprietary Limited	**974 598**	882 219
These loans are/were unsecured, bear/bore interest at 10% and are repayable on demand/repaid during the year. These associates are managed by Track and Ball Proprietary Limited.		
	974 598	2 990 863
Reconciliation to the cash flow:		
Opening balance	**3 966 197**	6 078 521
Advances	**-**	554 011
Interest accrued	**152 385**	219 376
Interest paid	**(60 006)**	-
Advances	**(1 120 240)**	(2 885 711)
Impairments	**(1 963 738)**	-
Total borrowings	**974 598**	3 966 197

Notes to the Consolidated Financial Statements

8. Intangible assets

8.1 Composition of intangible assets

	2020	2019
	R	R
Goodwill		
Balance at the beginning of the year – goodwill	**12 979 783**	13 000 231
Impairment	**(12 979 783)**	(20 448)
Balance at end of year – goodwill	**-**	12 979 783
Fixed odds licences		
Balance at the beginning of the year	**35 673 075**	35 673 075
Impairment	**(1 963 800)**	(900 000)
Transfer to non–current held for sale	**(4 000 000)**	(5 600 000)
Acquisition of licence	**-**	6 500 000
Balance at end of year	**29 709 275**	35 673 075
Total intangible assets	**29 709 275**	48 652 858

Goodwill

Goodwill arose as a result of the acquisition of the agency outlets and the Greyville Convention Centre in prior years. Due to social distancing restrictions applied as a result of Covid-19 eventing revenues earned from Greyville Convention Centre and revenues from the agency outlets reduced significantly. As a result of these indicators, goodwill was impaired at year end.

Fixed odd licences

The Group has classified the above intangible assets as having indefinite useful lives as these licences can be renewed annually at no significant cost. These licences are tested for impairment annually and when indicators of impairment exist. The indefinite useful life assumption is reviewed annually. In assessing the indefinite useful life assumption, management considers the period over which the outlet will operate. Due to social distancing restrictions applied as a result of COVID-19 revenues from outlets previously acquired reduced significantly. As a result of these indicators certain outlets were impaired.

The impairment review process is as follows:

The carrying amount of all intangible assets with an indefinite useful life is subject to an impairment test annually at reporting date and when indicators of impairment exist. The underlying key assumptions of the test of impairment include, but are not limited to, cash flow forecasts. Such forecasts are performed utilising the current year growth in revenue. This is then compared to the fair value less cost to sell and the value in use to determine the intangible asset's recoverable amount. In the current year, the fair value less cost to sell was used based on the most recent sales agreement and was in line with level 2 of the fair value hierarchy. The sales price was compared to the current book value of the intangible asset and the necessary impairment recognised in the current period.

As at 31 July 2020, the recoverable amount of the fixed odd licence was R34 000 000 (2019: R54 000 000).

	2020	2019
	%	%
Assumptions applied:		
Net win percentage	**9**	11
Inflation rate	**4**	6
Average growth rate	**(16)**	51

Notes to the Consolidated Financial Statements

8. Intangible assets (continued)

8.2 Non–current asset held for sale

On 31 August 2020, the Group entered into a sale agreement with Hollywood Sportsbook KwaZulu-Natal Proprietary Limited for the sale of Shelly Beach and Brackenham fixed odds betting licences. The agreed selling price for both was R4 million against the original purchase price for the licence of R4.5 million. This represents the fair value less cost to sell.

The sale agreement is pending the approval of the Kwazulu-Natal Gaming and Betting Board which is expected in the next 12 months. At 31 July 2020, these licenses are held for sale and have been impaired to equal the recoverable amount of R4 million.

9. Deferred tax liability

	2020	2019
	R	R
Balance at the beginning of the year	**53 331 162**	57 167 093
Temporary differences	**(21 360 354)**	(3 835 931)
Deferred tax impaired	**28 296 645**	-
Deferred tax prior year over provision	**(3 097 468)**	-
Balance at the end of the year	**57 169 985**	53 331 162
Deferred tax comprises:		
Accruals	**(17 595 668)**	(12 366 259)
Capital allowances and finance leases	**51 396 305**	64 364 408
Tax losses	**(4 204 928)**	(8 274 439)
Investments in financial assets	**22 193 928**	9 607 452
Deferred tax asset not recognised	**5 380 348**	-
Balance at end of year	**57 169 985**	53 331 162
Disclosed as follows:		
Deferred tax asset	**(6 326 776)**	(9 699 752)
Deferred tax liability	**63 496 761**	63 030 914
	57 169 985	53 331 162

The directors are satisfied that sufficient taxable profits will be available in future years to offset the deferred tax asset. In coming to this assumption management have considered future earnings, cash flow forecasts and potential changes to provincial tax law.

10. Inventories

Finished goods	**1 565 164**	2 114 197

Notes to the Consolidated Financial Statements

11. Trade and other receivables

	2020	2019
	R	R
Financial		
Trade receivables	**19 306 389**	18 411 634
Phumelela Gaming and Leisure trade receivables	**75 935 926**	55 138 601
Provision for impairment of receivables	**(3 257 814)**	(2 354 044)
Provision for impairment: Phumelela Gaming and Leisure Limited	**(20 823 367)**	-
Trade receivables – net	**71 161 134**	71 196 191
Other receivables	**3 507 270**	206 293
	74 668 404	71 402 484
Non-financial		
Prepayments	**526 945**	1 111 547
	75 195 349	72 514 031

The amounts are subject to the Group's standard credit terms and are due within a maximum of 60 days after month end depending on the class of debtor. Interest has not been charged on these accounts.

The movement in the allowance for impairment is as follows:		
Balance at the beginning of the year	**(2 354 044)**	(1 841 693)
Increase in impairment	**(903 770)**	(512 351)
Impairment against Phumelela Gaming and Leisure Limited	**(20 823 367)**	-
Balance at the end of the year	**(24 081 181)**	(2 354 044)

The other classes within trade and other receivables do not contain impaired assets. There is a significant concentration of credit risk in respect of the amount due from Phumelela Gaming and Leisure Limited.

12. Cash and cash equivalents

Bank	**13 190 003**	31 788 586
Fixed deposits	**6 510 676**	261 041
Cash on hand	**4 348 499**	9 646 775
	24 049 178	41 696 402

Guarantees

The Group has the following guarantees in place, in favour of:

	Value (R)	Review date
KwaZulu–Natal Gaming and Betting Board	**6 230 000**	Unlimited
Artemis Properties Proprietary Limited	**68 000**	Unlimited
South African Breweries Limited	**170 000**	Unlimited
Eskom	**850 415**	Unlimited
eThekwini Municipality	**1 135 957**	Unlimited
SA Mutual Property Investment	**30 000**	Unlimited
Umlazi Mega City	**218 320**	30/04/2023
KZN Retail Property Investments	**70 000**	30/09/2020
Environmental Management Branch	**100 000**	Unlimited
	8 872 692	

Notes to the Consolidated Financial Statements

12. Cash and cash equivalents (continued)

Facilities

The Group has overdraft facilities of R15 million (2019: R15 million) and contingent facilities of R5.8 million with First National Bank Limited due for review on 28 May 2021. In addition, the Group has an asset finance facility of R18.5 million (2019: R19.5 million) and an Auto card facility of R350 000 with Wesbank.

Collateral	**2020**	2019
	R	R
The Group has collateral in respect of Track and Ball Proprietary Limited with First National Bank as follows:		
Mion Holdings Proprietary Limited	**2 000 000**	2 000 000
Gold Circle Proprietary Limited	**5 000 000**	5 000 000
Suretyship		
Natal Racing Properties Proprietary Limited on behalf of Gold Circle Proprietary Limited	**30 000 000**	30 000 000

13. Investments

Amortised costs:		
FNB Preference shares	**-**	41 500 000
Fair value through profit and loss:		
Alpha Wealth – Chrysalis	**23 733 597**	21 587 867
Sanlam Private Portfolio	**29 256 527**	25 076 564
	52 990 124	46 664 431
Fair value through other comprehensive income		
Gryphon Dividend Income Fund	**10 332 053**	9 742 393
Alpha Prime Equity Qualified	**10 583 819**	10 548 332
Alpha Wealth – Lynx Prime Global Diverse Fund	**18 274 947**	15 231 830
RMB Protected flexible	**55 007 774**	58 312 079
Sanlam Private Portfolio – listed shares	**33 452 641**	31 736 533
Investec Asset Management Account	**40 770**	39 447
Alpha Wealth Investments	**1 951 523**	2 276 312
Investment in Automatic Shares Limited	**13 794 991**	13 267 577
	143 438 518	141 154 503
	196 428 642	229 318 934

The shares in Automatic Systems Limited has been pledged as security against the loan from Hollywood Sportsbook Proprietary Limited.

13.1 Percentage return	**%**	%
Pre – tax return	**6.4**	3.9
Post – tax return	**4.6**	2.8

This return includes all financial income earned on financial assets above and cash and cash equivalents as per note 12.

Notes to the Consolidated Financial Statements

13. Investments (continued)

13.2 Ring fenced investments

The assets are at fair value as determined by an active market. The Group's exposure to credit, currency and interest rate risks related to financial assets and the exposure to currency, interest rate and liquidity risk related to financial liabilities is disclosed in note 30.

In terms of a special resolution of shareholder's dated 23 April 2012, an amount of R200 000 000 was ring fenced in Natal Racing Properties Proprietary Limited for the future benefit of the thoroughbred racing industry. A minimum of 35% of the returns earned on the ring–fenced investment is required to be retained. On 28 July 2020 a special resolution was passed to disinvest R70 000 000.

The ring-fenced funds are as follows:

	2020	2019
	R	R
Calculated Ring-fenced funds	**164 660 384**	230 724 879

Returns included as follows in the consolidated statement of profit and loss and other comprehensive income		
Finance income	**2 184 529**	423 677
Net change in fair value reserve	**(544 606)**	306 690
Dividend income	**1 691 423**	4 801 150
Investment income	**8 073 665**	3 458 714
	11 405 011	8 990 231

14. Share capital

Authorised and issued		
2 000 ordinary shares of R1 each	**2 000**	2 000

Notes to the Consolidated Financial Statements

15.1 Finance lease liabilities

Finance lease obligations

Finance lease obligations secured by lease agreements over property, plant and equipment with a carrying amount of R17 698 754 (2019: R12 753 461). The average monthly repayment for the year amounted to R1 474 896 (2019: R1 062 788)

Finance lease obligations bear interest at rates between prime and prime less 1.5%. Refer to note 3.

Finance leases was disclosed under borrowings in the prior year. Refer to note 18.

	2020	2019
	R	R
Finance lease liability	**13 232 060**	11 513 307
Payable within one year	**(4 638 557)**	(5 021 522)
	8 593 503	6 491 785
Minimum lease payments are due as follows:		
Due within one year	**4 638 557**	7 053 847
Due within two and five years	**8 593 503**	7 779 883
	13 232 060	14 833 730
Reconciliation to the cash flow:		
Balance at beginning of year	**11 513 307**	8 908 471
Additions	**6 051 607**	7 298 958
Interest - accrued	**1 179 810**	897 215
Interest - paid	**(1 179 810)**	(897 215)
Repayments	**(4 332 854)**	(4 694 122)
Balance at end of year	**13 232 060**	11 513 307

15.2 Right of use liability

The Group leases land and buildings. The lease typically runs for a period of 2 years with the option to renew at the end of the lease term.

Minimum lease payments are due as follows:		
Due within one year	**5 620 499**	-
Due within one and five years	**3 979 332**	-
	9 599 831	-

The IFRS 16 lease liability arose on the transition to IFRS 16. Expenses relating to short-term leases amounted to R 9 694 283. Income from sub-leases amounted to R 4 356 600.

Right of use liability bears interest at prime. Refer to note 3.

Reconciliation to the cash flow:		
Balance at beginning of year	**-**	-
Initial application on 1 August 2019	**11 295 304**	-
Additions	**3 599 650**	
Interest accrued	**1 130 164**	-
Interest paid	**(1 130 164)**	-
Repayments	**(4 859 406)**	-
Modifications to lease liability	**(435 717)**	
Balance at end of year	**9 599 831**	-

Notes to the Consolidated Financial Statements

16. Post–retirement medical aid obligations

	2020	2019
	R	R
Non– current	**9 054 000**	10 226 000
Current	**1 131 000**	1 123 000
	10 185 000	11 349 000

Amounts recognised in profit and loss and other comprehensive income

	2020	2019
Interest cost	**955 000**	973 000
Employer benefits payments	**(1 168 000)**	(1 117 000)
Total amount recognised	**(213 000)**	(144 000)
Actuarial (gain)/loss	**(951 000)**	323 000
Total amount recognised in the statement of comprehensive income	**(1 164 000)**	179 000

Movement in the net liability recognised in the statement of financial position

	2020	2019
Balance at beginning of year	**11 349 000**	11 170 000
Interest cost recognised	**955 000**	973 000
Employer benefit payments	**(1 168 000)**	(1 117 000)
Actuarial (gain)/loss recognised in other comprehensive income	**(951 000)**	323 000
Balance at end of year	**10 185 000**	11 349 000

	2020	2019
	%	%
Key valuation assumptions		
Discount rate	**9.4**	8.9
Health care cost inflation	**6.3**	7.2
General inflation rate	**4.3**	5.2

Health care and discount rate sensitivity

The valuation basis assumes that the health care cost inflation rate and discount rate will remain constant in the long term. The effect of a one percent increase and decrease in the health care cost inflation rate and discount rate is as follows

	1% increase	Valuation basis	1% decrease
Employer's accrued liability	**10 891 000**	**10 185 000**	**9 546 000**
Employer's interest cost	**1 031 000**	**955 000**	**877 000**

The effect of a one percent increase and decrease in the discount rate is as follows::

	1% increase	Valuation basis	1% decrease
Discount rate	**9 580 000**	**10 185 000**	**10 864 000**

Notes to the Consolidated Financial Statements

16. Post–retirement medical aid obligations (continued)

Health care and discount rate sensitivity (continued)

Therefore, a 1% increase in the health care cost inflation and discount rate assumption will result in an increase in the accrued liability. Similarly, a 1% decrease in the health care cost inflation and discount rate assumption will result in a decrease in the accrued liability.

The plan is fully funded by the Company's subsidiaries, except the obligation for directors and executive officers, which is funded by the Company. The funding requirements are based on the pension funds actuarial measurement framework set out in the funding policies of the plan. The funding of the plan is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions set out. Employees are not required to contribute to the plans.

The Company has determined that, in accordance with the terms and conditions of the defined benefit plans, and in accordance with statuary requirements (including minimum funding requirements for the plan) for the plans of the respective jurisdictions, the present value of refunds or reductions in future contributions is not lower than the balance of the total fair value of the plan assets less the total present value of obligations. This determination has been made on a plan-by-plan basis. As such, no decrease in the defined benefit asset was necessary at 31 December 2020 or 31 December 2019.

17. Trade and other payables

	2020 R	2019 R
Financial		
Amount due to punters	**3 537 405**	6 518 335
Breeders premiums accrual	**268 624**	4 754 368
Leave pay accrual	**4 445 424**	3 551 352
Trade creditors	**24 481 986**	41 292 941
Telephone betting	**2 611 614**	3 495 749
Other	**211 500**	17 588
	35 556 553	59 630 333
Non-financial		
Refund payable in lieu of intangible assets	**-**	8 000 000
VAT	**2 910 633**	7 106 894
	2 910 633	15 106 894
	38 467 186	74 737 227

18. Borrowings

	2020	2019
Current shareholders loans		
Gold Circle Racing Club	**39 457 881**	39 457 881
This loan is unsecured, bears no interest and is repayable on demand.		
Current - other		
Hollywood Sportsbook Proprietary Limited	**17 368 309**	-
This loan bears interest at prime and is repayable within three months' notice.		
This loan was repaid on 11 September 2020.		
Finance lease liability	**-**	5 021 522
Finance lease liability has been disclosed seperately in note 15.1 in the current year		
Reconciliation to the cash flow:		
Balance at beginning of year excluding finance lease liability	**39 457 881**	49 949 594
Advances	**57 000 000**	-
Interest accrued	**549 971**	175 461
Interest paid	**(181 662)**	(175 461)
Repayments	**(40 000 000)**	(10 491 713)
Balance at end of year	**56 826 190**	39 457 881

Notes to the Consolidated Financial Statements

19. Provisions

	2020	2019
	R	R
Provision for retrenchment		
Balance at beginning of year	-	-
Provision utilised	(1 654 719)	-
Provision raised	12 003 250	-
Balance at the end of year	10 348 531	-

20. Revenue

Totalisator revenue	178 644 279	260 392 668
Net gaming income from fixed odds betting	21 689 416	29 963 448
Net wagering revenue	200 333 695	290 356 116
Contribution to racing from third party bookmaking activities	37 185 151	46 179 834
International income	68 934 299	86 761 208
Net share of international licence fees	37 560 259	52 681 877
Share of income from Phumelela Gold International*	31 374 040	34 079 331
Direct racing revenues	53 597 829	78 500 897
Eventing revenue	4 953 724	10 825 144
	365 004 698	512 623 199
Share of loss from Tellytrack partnership	(14 765 539)	(9 837 016)
Revenue available for racing activities	350 239 159	502 786 183

*On transfer of the shares held by Phumelela Gaming and Leisure Limited to on behalf of the Group, the income earned from Phumelela Gold International will be then be accounted as “share of profits from equity accounted investees”.

Notes to the Consolidated Financial Statements

21. Expenses by nature

	2020	2019
	R	R
The following items have been included in arriving at operating loss:		
Advertising, events and promotions	**8 830 537**	19 121 855
Agents commissions and other direct costs	**17 861 727**	28 541 682
Cash collection costs	**1 032 345**	1 484 445
Catering costs	**5 805 473**	9 534 575
Contribution to jockey's remuneration	**10 122 880**	10 336 179
Depreciation (including impairment)	**33 627 272**	27 887 147
Directors emoluments	**11 383 395**	12 670 654
Employee benefits	**90 607 421**	109 948 619
Insurance costs/(excess)	**1 326 724**	(917 478)
Licence fees	**11 570 687**	15 137 434
National Horseracing Authority – Regulatory cost	**15 628 105**	18 415 301
Operating lease rentals – property	**2 922 071**	4 732 507
Printing costs	**3 442 311**	5 421 982
Provision for retrenchment	**10 000 000**	-
Race meeting expenses	**10 905 223**	12 003 760
Repairs and maintenance	**12 091 132**	19 875 366
Security expenses	**8 438 168**	10 976 863
Service fees (Saftote)	**3 658 644**	5 594 875
Stakes		
– owners	**73 499 049**	114 781 025
– breeders	**1 280 775**	6 896 406
Tellytrack subscriptions	**5 218 174**	11 035 960
Transformation fund	**1 592 873**	1 961 894
Utility costs	**21 932 140**	23 629 782
Other operating expenses	**44 729 822**	55 321 471
	407 506 948	524 392 304

Reconciled to expense by function:		
Agents commission and other direct costs	**17 861 727**	28 541 682
Wagering expenditure	**124 770 769**	169 229 388
– Totalisator	**96 944 862**	140 943 367
– Fixed odds licences	**27 825 907**	28 286 021
Racing expenditure	**264 874 452**	326 621 234
	407 506 948	524 392 304

Notes to the Consolidated Financial Statements

22. Tax on punters winnings

In terms of the KwaZulu-Natal Gaming and Betting Tax Act 2010 (the Act), punters' winning from successful bets placed with licensed bookmakers are taxed at 6%. In further accordance with the Act, the Group is entitled to 50% (3% of punters' winnings) of these taxes, which is distributed to the Group by the KwaZulu-Natal Gaming and Betting Board and/or Provincial Treasury. The deduction is an indirect contribution by bookmakers towards the company's cost of providing and staging the horse racing product and the incurring of all of the expenditure related thereto. In its capacity as a licensed racecourse operator, the Group receives this contribution as a quid pro quo to compensate the Group for bookmakers offering fixed-odds bets on horse racing under the Act.

Gross racing expenditure incurred is listed below.

	2020	2019
	R	R
Tax on punters winnings	**35 177 951**	44 119 059
Operating expenditure for racecourses and training facilities	**(164 343 643)**	(176 192 323)
National Horseracing Authority - Regulatory costs	**(15 628 105)**	(18 415 301)
Stakes - gross	**(73 499 049)**	(114 781 025)
- owners	**(58 628 064)**	(93 296 702)
- trainers	**(6 947 171)**	(10 493 952)
- jockeys	**(6 591 805)**	(9 843 921)
- grooms	**(1 332 009)**	(1 146 450)
Stakes - breeders	**(1 280 775)**	(6 896 406)
Contribution to jockey's remuneration	**(10 122 880)**	(10 336 179)
Racing expenditure	**(264 874 452)**	(326 621 234)
Contribution towards racing expenditure made from:		
Tax on punters winnings	**35 177 951**	44 119 059
Gold Circle Racing and Gaming Group	**229 696 501**	282 502 175
	264 874 452	326 621 234

23. Impairments

Sports Tracking Proprietary Limited	**1 963 738**	-
Phumelela Gaming and Leisure Limited	**20 823 367**	-
Goodwill	**12 979 783**	20 448
Fixed odds licences	**1 963 800**	900 000
	37 730 688	920 448

24.1 Finance income

Related parties' loans	**111 691**	98 896
Bank	**2 302 224**	569 143
Other interest received	**53 001**	118 599
	2 466 916	786 638
Interest accrued	**92 380**	290 601
Interest received	**2 374 536**	496 037
	2 466 916	786 638

The comparatives have been restated.

Notes to the Consolidated Financial Statements

24.2 Finance costs

	2020	2019
	R	R
Interest on loans	549 971	205 159
Interest on right of use lease liability	1 130 164	-
Interest on finance leases	1 179 810	927 873
Interest on overdraft	488 977	394 440
Other interest expense	3 749	7 843
	3 352 671	1 535 315
Interest accrued	368 309	26 175
Interest paid	2 984 362	1 509 140
	3 352 671	1 535 315

24.3 Dividend income

Local investments	1 735 620	4 884 875
Foreign investments	941 930	928 837
	2 677 550	5 813 712

24.4 Fair value adjustment

Investments	8 674 231	4 093 901
Investment in Phumelela Gold International	(6 456 680)	10 668 141
	2 217 551	14 762 042

The comparatives have been restated.

25. Income taxation

Current tax	-	1 423 214
- Current year	-	-
- Prior year	-	1 423 214
Deferred tax	(3 779 220)	4 110 206
- Current year	(6 876 688)	3 366 995
- Prior year	(3 097 468)	743 211
Taxation	(3 779 220)	5 533 420

Notes to the Consolidated Financial Statements

25.1 Reconciliation of tax charged

	2020		2019	
	%	**R**	%	R
Loss before taxation		**(92 035 945)**		(3 435 868)
Income tax at standard rate (28%)	**(28.0)**	**25 770 065**	(28.0)	962 043
Current tax – prior period over provision	**-**	**-**	0.41	1 423 214
Non-taxable income	**83.16**	**(76 534 932)**		
Non-deductible expenses	**(76.18)**	**70 116 894**	0.71	(2 440 951)
Deferred tax – prior period (over)/under provision	**3.37**	**(3 097 468)**	0.21	743 212
Deferred tax – (unrecognised)/utilised assessed losses	**13.55**	**(12 475 339)**	141.0	4 845 902
Taxation credit/(charge)	**(4.11)**	**(3 779 220)**	1.61	5 533 420

The directors are satisfied that sufficient taxable profits will be available in future years to offset the deferred tax asset. The assumptions have been considered in note 9.

26. Cash utilised in operations

	2020	2019
	R	R
Loss before taxation	**(92 035 945)**	(3 435 868)
Adjustments for:		
Depreciation	**33 627 272**	27 887 146
Loss/(profit) on disposals of property, plant and equipment	**331 146**	(64 543)
Brokerage fees	**1 029 388**	-
Impairment of goodwill and intangible assets	**14 943 583**	920 448
Impairment of loans	**1 963 738**	
Share of loss of equity–accounted associates, net of tax	**143 044**	224 026
Fair value adjustments	**(10 699 370)**	(18 462 137)
Exchange rate gain	**926 681**	(408 261)
Finance income	**(2 466 916)**	(786 272)
Dividends income	**(2 677 550)**	(5 813 712)
Gain on remeasurement of leases liability	**(542 548)**	-
Finance costs	**3 352 671**	1 535 315
	(52 104 806)	1 596 142
Changes in working capital		
Decrease in inventories	**549 033**	389 038
Increase in trade and other receivables	**(2 681 318)**	(13 270 587)
Increase of Tellytrack funding	**6 897 249**	5 787 477
Increase in provisions	**10 348 531**	-
Decrease in trade and other payables	**(36 270 041)**	(6 533 814)
	(73 261 352)	(12 031 744)

The comparatives have been restated.

Notes to the Consolidated Financial Statements

27. Taxation received

	2020	2019
	R	R
Payable at the beginning of the year	**124 906**	(1 298 308)
Tax receivable impaired	**(58 546)**	-
Prior year overprovision	**-**	1 423 214
Receivable at the end of the year	**66 360**	(124 906)
Tax received	**132 720**	-

28. Operating lease commitments

Property rentals paid		
Due within one year	**-**	(5 887 117)
Due within one and five years	**-**	(7 915 237)
	-	(13 802 354)
Property rentals received from sub-leasing		
Due within one year	**4 583 771**	4 983 532
Due within one to two years	**2 485 105**	3 966 887
Due within two and five years	**605 463**	-
	7 674 339	8 950 419
Expenses relating to short-term leases	**9 694 283**	-

The decrease in property rentals payable is due to the transition of some leases meeting the definition of IFRS 16.

29. Correction of error

In prior years, the Group had not accounted for the investment in Phumelela Gold International Limited. The 39% shareholding owned by the Group was held by Phumelela Gaming and Leisure Limited as a nominee for Gold Circle Proprietary Limited.

Phumelela Gold International Limited was formed by Phumelela Gaming and Leisure Limited and the Group in 2002. It is based and operates in the Isle of Man. Phumelela Gold International Limited, today, is also a 50% shareholder in Premier Gateway International Limited ("Premier"). Premier is also based on the Isle of Man and operates a pari-mutuel tote hub there which commingles tote betting pools from South Africa and Australia as well as selling tote bets to large international betting syndicates and punters; earning commissions, fees and/or margins from these activities. The profits from Premier have historically been shared between its shareholders, Tabcorp Europe Holdings Limited and Phumelela Gold International Limited.

Since the formation of Phumelela Gold International Limited, Phumelela Gaming and Leisure Limited held the shares in Phumelela Gold International Limited, initially as nominee of the Phumelela Gold Enterprises Partnership and thereafter it has held, and continues to hold, the Group's shares in Phumelela Gold International Limited as nominee of the Group.

The beneficial flows of distributions were not hindered by these arrangements. Phumelela Gaming and Leisure Limited accounted to the Group on a monthly basis in respect of distributions from Phumelela Gold International Limited to which the Group was entitled.

Notes to the Consolidated Financial Statements

29. Correction of error (continued)

The Phumelela Gaming and Leisure Limited business rescue plan proposed in August 2020 included information relating to the proposed sale by Phumelela Gaming and Leisure Limited's business rescue practitioner of 100% of the issued shares of Phumelela Gold International Limited, with the sale proceeds to be applied for the benefit of Phumelela Gaming and Leisure Limited creditors and shareholders. The Group objected to this proposed sale on the grounds that it is the owner of 39% of those shares.

The business rescue practitioner has disputed the Group's ownership of any Phumelela Gold International Limited shares and/or any proceeds arising from the sale of the shares. The Group has initiated legal proceedings to resolve the issue.

Given that:
a. The Group was awaiting the distribution of its shareholding in Phumelela Gold International Limited from Phumelela Gaming and Leisure Limited as agreed in 2012, and;
b. Phumelela Gaming and Leisure Limited, which managed the affairs of Phumelela Gold International Limited, had informed the Group that all profits of Phumelela Gold International Limited were distributed each year;
The Group had no intention of selling this investment given the importance of the income it derived from the distributions made by Phumelela Gold International Limited

The Group did not account for the investment in Phumelela Gold International Limited in its annual financial statements on the grounds of the carrying value being immaterial in the context of the Group's balance sheet. This was an error and the investment has now been included in the financial statements on the basis described below. The carrying value of this investment in the Group's accounting records amounts to R74 880 000 (2019: R81 336 680).

The Group has applied several valuation methodologies to determine the value of the investment in Phumelela Gold International Limited for inclusion in these financial statements. Given the pending litigation regarding ownership of the Group's shareholding in Phumelela Gold International Limited, a conservative valuation has been used as detailed below.

Notes to the Consolidated Financial Statements

29. Correction of error (continued)

The errors have been corrected by restating each of the affected financial statement line items for prior periods. The error has no impact on total operating, investing or financing cash flows for the year ending 31 July 2020. The following table summarises the impacts on the Group's financial statements.

		Impact of Correction of error	
	As previously reported	**Adjustments**	**As restated**
	R	**R**	**R**
Statement of financial position			
01 August 2018			
Investments in Phumelela Gold International Limited	-	70 668 538	70 668 538
Total assets	556 455 931	70 668 538	627 124 469
Retained earnings	464 313 706	70 668 538	534 982 244
Total equity	696 087 262	70 668 538	766 755 800
31 July 2019			
Investments in Phumelela Gold International Limited	-	81 336 680	81 336 680
Total assets	538 655 135	81 336 680	619 991 815
Retained earnings	457 349 086	81 336 680	538 685 766
Total equity	689 497 446	81 336 680	770 834 126
Statement of comprehensive income			
For the year ended 31 July 2019			
Finance income*	4 880 539	(4 093 901)	786 638
Fair value adjustment	-	14 762 043	14 762 043
(Loss)/Profit for the year	(8 570 590)	10 668 142	2 097 552

*Fair value adjustments on financial assets of R4 093 901 was previously recognised in finance income and has now been reclassified to fair value adjustments. The error relating to the fair value of Phumelela Gold International Limited amounts to R10 668 142.

Notes to the Consolidated Financial Statements

30. Financial risk management

30.1 Financial instrument categories and fair values

The table below sets out the classification of each class of financial assets and liabilities, and their fair values:

Group	**2020**		2019	
	Carrying amount	**Fair value**	Carrying amount	Fair Value
	R	**R**	R	R
Fair value through other comprehensive income Investments	**143 438 518**	**143 438 518**	141 154 503	141 154 503
Fair value through profit and loss				
Investments	**52 990 124**	**52 990 124**	46 664 431	46 664 431
Investment in Phumelela Gold International	**74 880 000**	**74 880 000**	81 336 680	81 336 680
	127 870 124	**127 870 124**	128 001 111	128 001 111
Financial assets carried at amortised cost				
Trade receivables	**74 668 404**	**74 668 404**	71 402 484	71 402 484
Cash and cash equivalents	**24 049 178**	**24 049 178**	41 696 402	41 851 043
Loan receivable	**974 598**	**974 598**	2 990 863	2 990 863
Investments	**-**	**-**	41 500 000	41 500 000
	99 962 180	**99 962 180**	157 589 749	157 589 749
Financial liabilities at amortised cost				
Borrowings	**(56 826 190)**	**(56 826 190)**	(50 971 188)	(50 971 188)
Finance lease liability	**(13 232 060)**	**(13 232 060)**	-	-
Right of use lease liability	**(9 599 831)**	**(9 599 831)**	-	-
Trade and other payables	**(35 556 553)**	**(35 556 553)**	(59 303 333)	(59 303 333)
Provisions	**(10 348 531)**	**(10 348 531)**	-	-
	(125 563 165)	**(125 563 165)**	(110 274 521)	(110 274 521)

The price earnings ratio was used to determine the fair value of the investment in Phumelela Gold International. In determine the price earnings ratio, management considered observable inputs. The current sales price of Phumelela Gold International based on the contractual offer received for the sale of the company was used in determining the valuation. The earnings from the investment represented the actual earnings of the company as per the management accounts received from Phumelela Gold International.

30.2 Overview

The Group has exposure to the following risks from its use of financial instruments:

– Credit risk
– Liquidity risk
– Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing financial risk, and the Group's management of capital.

Notes to the Consolidated Financial Statements

30. Financial risk management (continued)

30.3 Risk management framework

The Group's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

30.4 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group manages credit risks as follows:
Cash and cash equivalents – financial institutions used are reputable with stable credit ratings
Investments – financial institutions used reputable with stable credit ratings.
Trade and other receivables – management regularly monitors long outstanding balances

Loans to related parties – these loans are within the Group and therefore exposure is minimal due to support received from other entities within the Group

Other loans receivable – loans granted are to racing industry participants. These parties are reputable.

	Carrying amount 2020 R	Carrying amount 2019 R
Exposure to credit risk:		
Trade and other receivables	**74 668 404**	71 402 484
Investments	**196 428 642**	229 318 934
Cash and cash equivalents	**24 049 178**	41 696 402
Loans receivable	**974 598**	3 966 197
Investment in Phumelela Gold International	**74 880 000**	81 336 680
	371 000 822	427 720 697

Equity securities designated as at fair value through other comprehensive income

The Group designated the investments shown below as equity securities as fair value through other comprehensive income because the equity securities represent investments that the Group intends to hold for the long term for strategic purposes. Since their performance does not affect the operations of the entity, they have been classified as fair value through other comprehensive income.

Notes to the Consolidated Financial Statements

30. Financial risk management (continued)

	Fair value at 31 July 2020	Fair value at 31 July 2019	Dividend income recognised during 2020	Dividend recognised during 2019
Gryphon Dividend Income Fund	**10 332 053**	9 742 394	**-**	-
Alpha Prime Equity Qualified	**10 583 819**	10 548 332	**-**	-
Alpha Wealth – Lynx Prime Global Diverse Fund	**18 274 947**	15 231 830	**-**	-
RMB Protected Flexible Private Portfolio	**55 007 774**	58 312 079	**689 806**	3 564 901
Sanlam Listed Shares	**33 452 641**	31 736 533	**1 016 880**	1 251 401
Investec Asset Management Account	**40 770**	39 446	**-**	-
Alpha Wealth Investments	**1 951 523**	2 276 312	**-**	-
Investment in Automatic Shares Limited	**13 794 991**	13 267 577	**877 623**	865 150
	143 438 518	141 154 503	**2 584 309**	5 681 452

Expected credit losses (ECL) for individual customers:

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of 60 days for individual customers. The Group uses an allowance matrix to measure ECLs of trade receivables from individual customers. Loss rates are calculated using a 'roll rate' method for each aging bracket based on the probability of a receivable progressing through successive stages of delinquency to write-off. All customers that are credit impaired fall under the 12-month ECL range.

2020	**Trade receivables R**	**Allowance for impairment loss R**	**Net trade receivables R**
Current	**92 795 281**	**(20 908 989)**	**71 886 292**
Past due 1 – 30 days	**2 405 319**	**(135 085)**	**2 270 234**
Past due 31 – 60 days	**631 548**	**(130 415)**	**501 133**
Past due 61 – 120 days	**1 138 796**	**(150 578)**	**988 218**
Past due 121 – 365 days	**663 135**	**(192 326)**	**470 809**
Past due 365+ days	**1 115 506**	**(2 563 788)**	**(1 448 282)**
Total	**98 749 585**	**(24 081 181)**	**74 668 404**
2019			
Current	66 458 897	(25 079)	66 433 818
Past due 1 – 30 days	1 892 694	(54 097)	1 838 597
Past due 31 – 60 days	573 184	(53 152)	520 032
Past due 61 – 120 days	1 985 366	(107 260)	1 878 106
Past due 121 – 365 days	198 480	(117 113)	81 367
Past due 365+ days	2 647 907	(1 997 343)	650 564
Total	73 756 528	(2 354 044)	71 402 484

The Group's main concentration of trade receivables comes from Phumelela Gaming and Leisure Limited and therefore there is minimal exposure of default.

Notes to the Consolidated Financial Statements

30. Financial risk management (continued)

30.5 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its financial obligations resulting in damage to the Group's reputation.
Cash flow forecasting is performed by the Group and management monitors rolling forecasts to ensure that the Group has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn borrowing facilities. Surplus cash held by the entity over and above its working capital requirements are invested in interest bearing current accounts, time deposits and money market deposits.
Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses the Group maintains flexibility in funding by maintaining availability under committed credit lines. The table below analyses the Group's financial liabilities into relevant maturity Groupings. The impact of discounting is not significant.

	Carrying amount R	Contractual cash flows R	Less than 1 year R	Between 1 and 5 years R
2020				
Trade and other payables	**35 556 553**	**35 556 553**	**35 556 553**	**-**
Provisions	**10 348 531**	**10 348 531**	**10 348 531**	**-**
Borrowings	**56 826 190**	**56 934 213**	**56 934 213**	**-**
Finance lease liability	**13 232 060**	**15 027 579**	**6 008 822**	**9 018 757**
Right-of use lease liability	**9 599 831**	**10 460 742**	**5 816 085**	**4 644 657**
	125 563 165	**128 327 618**	**114 664 204**	**13 634 414**
2019				
Trade and other payables	59 630 333	59 630 333	59 630 333	-
Borrowings	50 971 188	54 291 611	46 511 728	7 779 883
Finance lease liability	-	-	-	-
	110 601 521	113 921 944	106 142 061	7 779 883

Management monitors its projected cash flow requirements against cash and cash equivalents and undrawn borrowing facilities. At year end the Group's available resources were as follows:

	2020 R	2019 R
Cash resources	**24 049 178**	41 696 402
Undrawn borrowing facilities	**15 000 000**	15 000 000
Trade and other receivables	**75 195 349**	72 514 031
Investments	**196 428 642**	229 318 934
Investment in Phumelela Gold International	**74 880 000**	81 336 680
Total available resources	**385 553 169**	439 866 047

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group does not target specific capital ratios.

Notes to the Consolidated Financial Statements

30.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, which will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group buys foreign currency derivatives in order to manage market risks.

The Group has exposure to currency, interest rate and equity price risk. Currency risk is managed by frequent review of international investments by the investment committee. Financial institutions used are reputable with stable credit ratings Interest rate risk is managed by benchmarking interest rates across banks.

(i) Currency risk

The Group is exposed to currency risk on the foreign listed equities that is denominated in a currency other than the respective functional currencies of Group entities and also investments in foreign countries. The Group is primarily exposed to the United States dollar and Mauritian Rupee.

Exposure to currency risk

The Group's exposure to significant foreign currency risk was as follows based on nominal amounts:

	2020	2019
Amounts shown in foreign currency units	**R**	R
Foreign Listed Equities	**29 256 527**	25 076 564
ASL Limited	**13 794 991**	13 267 577

The following significant exchange rates applied during the period:

	2020		2019	
	Reporting date spot rate	**Average for the period**	Reporting date spot rate	Average for the the period
US Dollar	**17.05**	**15.90**	14.19	14.25
Mauritian Rupee	**0.43**	**0.41**	0.38	0.41

Sensitivity analysis

A 10 percent weakening of the rand at the reporting date applied against the net foreign currency exposure would have increased/(decreased) profit and loss and other comprehensive income by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2019.

	Profit/(Loss)	
	2020	2019
Group		
US Dollar	**$172 407**	$140 087
Mauritian Rupee	**-MRU 2 906 350**	-MRU 3 178 495

A 10 percent strengthening of the rand against the Mauritian rupee and US Dollar at the reporting date would have had the equal and opposite effect to the amounts shown above.

Notes to the Consolidated Financial Statements

30. Financial risk management (continued)

30.6 Market risk (continued)

(ii) Interest rate risk

The Group adopts a policy of ensuring that most of its exposure to changes in interest rates on borrowings is on a floating rate basis. Interest is set at the prime interest rate.

At the reporting date the interest–bearing financial instruments of the Group was:

	Carrying amount 2020 R	Carrying amount 2019 R
Fixed rate instruments		
Financial assets	**25 023 776**	45 662 599
Variable rate instruments		
Investments	**196 428 642**	229 318 935
Financial liabilities	**(40 200 200)**	(11 513 307)
	156 228 442	217 805 628

Sensitivity analysis

A decrease in 100 basis points in interest rates at the reporting date would have decreased equity and profit or loss as follows:

Variable rate instruments	**Profit/Loss**	
Financial assets		
Financial assets – FNB Preference Shares	**-**	177 787
Financial liabilities		
Finance lease liability	**(1 297 791)**	-
Right-of-use liability	**(1 243 180)**	-
Net cash flow sensitivity	**(2 540 151)**	177 787

An increase of 100 basis points in interest rates at the reporting date would have had the equal but opposite effect to the amounts shown above.

Variable rate instruments

(iii) Equity price risk

The Group's exposure to equity price risk on investments is as follows:

Investments	**143 438 518**	141 154 503

Sensitivity analysis

A decrease of 100 basis points in equity prices at the reporting would have the following effect on profit and loss and other comprehensive income.

This analysis assumes that all other variables, remain constant.

The analysis is performed on the same basis for 2019

Fair value gains and losses through profit and loss	**7 633 636**	3 329 754
Fair value gains and losses through other comprehensive income	**(812 276)**	2 320 245

An increase of 100 basis points in interest rates at the reporting date would have had the equal but opposite effect to the amounts shown above.

Notes to the Consolidated Financial Statements

30. Financial risk management (continued)

30.7 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (observable inputs).

Group	**Level 1**	**Level 2**	**Level 3**
2020	**R**	**R**	**R**
Financial assets			
Fair value through other comprehensive income	**143 438 518**	**-**	**-**
Fair value through profit and loss	**52 990 124**	**-**	**-**
Trade and other receivables	**74 668 404**	**-**	**-**
Cash and cash equivalents	**24 049 178**	**-**	**-**
Investment in Phumelela Gold International	**-**	**-**	**74 880 000**
	295 146 224	**-**	**74 880 000**
Financial Liabilities			
Borrowings – amortised cost	**-**	**(56 826 190)**	**-**
Finance lease liability – amortised cost	**-**	**(13 232 060)**	**-**
Right-of use lease liability – amortised cost	**-**	**(9 599 831)**	**-**
Trade and other payables – amortised cost	**-**	**(35 556 553)**	**-**
Provisions – amortised cost	**-**	**(10 348 531)**	**-**
	-	**(125 563 165)**	**-**
2019			
Financial assets			
Fair value through other comprehensive income	141 154 503	-	-
Fair value through profit and loss	46 664 431	-	-
Amortised cost	41 500 000	-	-
Trade and other receivables	71 402 484	-	-
Cash and cash equivalents	41 696 402	-	-
Investment in Phumelela Gold International	-	-	81 336 680
	342 417 820	-	81 336 680
Financial Liabilities			
Borrowings – amortised cost	-	(50 971 188)	-
Finance lease liability – amortised cost	-	-	-
Trade and other payables – amortised cost	-	(59 630 333)	-
	-	(110 601 521)	-

The carrying amount reasonably approximates fair value for level 2.

Notes to the Consolidated Financial Statements

30. Financial risk management (continued)

30.7 Fair value hierarchy (continued)

Investments and securities

The fair values of listed investments and securities are based on bid prices.

31. Subsidiaries of Gold Circle Proprietary Limited

	2020		2019	
	Issued share capital	**Holding**	Issued share capital	Holding
Group	**R**	**%**	R	%
Directly held:				
Gold Circle Gaming Investments Proprietary Limited	**100**	**100**	100	100
Natal Racing Properties Proprietary Limited	**150 000**	**100**	150 000	100
Betting Information Technology Proprietary Limited	**240**	**100**	240	100
Videotrac Proprietary Limited	**100**	**100**	100	100
Indirectly held:				
Track and Ball Gaming Proprietary Limited	**140**	**70**	140	70

32. Related parties

32.1 Identity of related parties

Holding club

Gold Circle Racing Club

Subsidiaries

Natal Racing Properties Proprietary Limited
Videotrac Proprietary Limited
Track and Ball Proprietary Limited
Gold Circle Gaming Investments Proprietary Limited
Betting Information Technology Proprietary Limited

Associated companies

Sports Tracking Proprietary Limited
Wozabets Gaming Proprietary Limited
Betsumor Gaming Proprietary Limited
Ezeefun Proprietary Limited

Associated clubs

Clairwood Turf Club
Durban Turf Club

Directors

N P Butcher (Chairperson)
J H S de Klerk
G Petzer
M M Nhlanhla
S N Mthethwa
Z Zulu
D T Moodie
M J L Nairac
L Nunan
P V Lafferty
P Mnganga
P L Loker
Y Pillay
C Moodley
D Chetty
P B Gibson (Resigned 13/08/2020)
L R Whiteford (Appointed 17/09/2020)

Notes to the Consolidated Financial Statements

32. Related parties (continued)

32.1 Identity of related parties (continued)

Prescribed officers

V Jack
D J Furness (Company Secretary)
S H Marshall
C Fourie
M R Sheik

Other related parties – indirect

Tellytrack Partnership
Kenilworth Racing Proprietary Limited
Phumelela Gaming and Leisure Limited

The following related party transactions have occurred between Phumelela Gaming and Leisure Limited, Tellytrack and Gold Circle Proprietary Limited as well as balances payable and receivable at 31 July 2020.

Income/(expenditure)	2020 R	2019 R
Phumelela Gaming and Leisure Limited		
International income	**68 934 299**	86 761 208
Net share of international licence fees	**37 560 259**	52 681 877
Share of income from Phumelela Gold International	**31 374 040**	34 079 331
Kenilworth Racing Proprietary Limited		
Racing Bureau Income	**645 020**	623 578
Tellytrack Partnership		
Partnership loss	**(14 765 539)**	(9 837 016)
Loss at 24.96%	**(19 389 360)**	(18 649 364)
On course production	**(4 041 258)**	(6 523 078)
Tellytrack subscriptions	**8 665 079**	15 335 426
Betsumor Gaming Proprietary Limited	**167 191**	22 205
Finance income	**7 757**	22 205
Agents commission	**159 434**	-
Wozabets Gaming Proprietary Limited	**461 233**	184 491
Finance income	**6 073**	41 043
Property rentals	**240 609**	143 448
Agents commission	**214 551**	-
Loans receivable		
Betsumor Gaming Proprietary Limited	**974 598**	956 607
Wozabets Gaming Proprietary Limited	**-**	194 411
Sports Tracking Proprietary Limited	**1 963 738**	2 015 773
Amounts receivable/payable		
Ezeefun Proprietary Limited	**(21 738)**	222 606
Betsumor Gaming Proprietary Limited	**1 585 767**	451 348
Wozabets Gaming Proprietary Limited	**1 172 345**	663 141

Prior year comparatives have been corrected.

Notes to the Consolidated Financial Statements

32. Related parties (continued)

32.3 Key management compensation

2020	Fees R	Salary R	Bonus R	Retirement and other benefits R	Total R
N P Butcher	120 000	-	-	-	120 000
J H S De Klerk	90 000	-	-	-	90 000
P V Lafferty	75 000	-	-	-	75 000
P Mnganga	45 000	-	-	-	45 000
L Nunan	100 000	-	-	-	100 000
G Petzer	65 000	-	-	-	65 000
M M Nhlanhla	60 000	-	-	-	60 000
Z Zulu	65 000	-	-	-	65 000
C Moodley	67 000	-	-	-	67 000
D Chetty	70 000	-	-	-	70 000
P B Gibson	65 000	-	-	-	65 000
M Tembe	-	-	-	-	-
S N Mthethwa	-	-	-	-	-
P L Loker	-	1 231 598	20 076	200 372	1 452 046
M J L Nairac	-	2 256 700	-	-	2 256 700
D T Moodie	-	603 229	8 930	88 747	700 906
Y Pillay	-	998 667	14 445	93 170	1 106 282
V Jack	-	775 550	12 880	199 448	987 878
D Furness	-	630 767	-	-	630 767
S H Marshall	-	1 221 577	17 400	90 900	1 329 877
R Sheik	-	870 750	13 110	121 407	1 005 267
C Fourie	-	1 077 494	14 178	-	1 091 672
Total	822 000	9 666 332	101 019	794 044	11 383 395

Directors fees are payable to all directors. This includes fees for attendance at statutory committee board meetings only. MJL Nairac and D J Furness, received a contracting fee for services rendered to the companies in the Group. P L Loker, D T Moodie, Y Pillay, V Jack, S H Marshall, R Sheik and C Fourie received remuneration for services rendered to companies in the Group.

Notes to the Consolidated Financial Statements

2019	Fees R	Salary R	Bonus R	Retirement and other benefits R	Total R
N P Butcher	144 000	-	-	-	144 000
J H S De Klerk	124 000	-	-	-	124 000
P V Lafferty	82 000	-	-	-	82 000
P Mnganga	130 000	-	-	-	130 000
L Nunan	127 500	-	-	-	127 500
G Petzer	102 000	-	-	-	102 000
M M Nhlanhla	53 500	-	-	-	53 500
Z Zulu	85 500	-	-	-	85 500
C Moodley	67 000	-	-	-	67 000
D Chetty	60 000	-	-	-	60 000
P B Gibson	-	-	-	-	-
M Tembe	-	-	-	-	-
P L Loker	-	1 391 056	28 868	215 012	1 634 936
M J L Nairac	-	2 568 000	46 100	-	2 614 100
D T Moodie	-	627 024	12 841	87 396	727 261
Y Pillay	-	1 062 430	20 771	93 170	1 176 371
V Jack	-	819 605	18 521	210 811	1 048 937
D Furness	-	843 126	14 076	-	857 202
S H Marshall	-	1 279 770	23 079	112 230	1 415 079
R Sheik	-	914 369	17 863	134 432	1 066 664
C Fourie	-	1 134 204	20 400	-	1 154 604
Total	975 500	10 639 584	202 519	853 051	12 670 654

Directors fees are payable to all directors for attendance at meetings. This includes fees for attendance at statutory committee board meetings only. MJL Nairac and D J Furness, received a contracting fee for services rendered to the companies in the Group. P L Loker, D T Moodie, Y Pillay, V Jack, S H Marshall, R Sheik and C Fourie received remuneration for services rendered to companies in the Group.

33. Subsequent events

Cyber-attack

On 28 August 2020, the Group was subject to a cyber-attack. The attackers claimed to have extracted confidential information from the Group's information database, which they threatened to release unless the Group had paid them a specified amount. The Group immediately engaged the services of forensic information technology specialists to establish the extent of the breach in security and to determine specific details on the information that was extracted.

The Group's information technology department was able to get the Group up and running the next day and there was minimal business interruption.

The forensic team has to date confirmed that no information was extracted. The Group therefore did not breach the Protection of Personal Information Act.

Notes to the Consolidated Financial Statements

33. Subsequent events (continued)

Phumelela Gaming and Leisure Limited – Creditors meeting

On 1 September 2020, Phumelela Gaming and Leisure Limited conducted their creditors meeting after going into business rescue. When the business rescue plan was published, management confirmed the intention of the business rescue practitioner to sell 100% of Phumelela Gold International. In 2003, this entity was incorporated by Phumelela Gaming and Leisure Limited (61%) and Gold Circle Proprietary Limited (39%). The business rescue practitioner has indicated that Phumelela Gaming and Leisure Limited are the sole shareholders, this, despite years of precedence of profits flowing to the Group. The Group has therefore entered into legal proceeding with Phumelela Gaming and Leisure Limited, to ensure that their rights to Phumelela Gold International are protected. This shareholding is vital to the Group's survival as it represents on average R30 million of revenue every year. As at the date of approval of the financial statements the legal proceedings had not been concluded and the outcome remains uncertain.

Independent valuation of Premier Gateway International

Management have been informed that an independent valuation of Premier Gateway International is to be finalised subsequent to the approval of these financials. This independent valuation could result in a material change in the valuation of the shareholding held in Phumelela Gold International. In the event that this new valuation is materially different from the carrying value of the shareholding, it will need to be remeasured accordingly.

Sale of intangible assets

On 31 August 2020, the Group entered into a sale agreement with Hollywood Sportsbook KwaZulu-Natal Proprietary Limited for the sale of Shelly Beach and Brackenham fixed odds betting licences. The agreed selling price for both outlets was R4 million against the original purchase price for the licences of R4.5 million.

The sale agreement is pending the approval of the KwaZulu-Natal Gaming and Betting Board which is expected in the next 12 months. At 31 July 2020, these licences are accounted for as being held for sale and their value has been impaired to equal the recoverable amount of R4 million.

No matters which are material to the financial affairs of the Group, besides those mentioned above, have occurred between the statement of financial position date and the date of approval of the financial statements.

34. Going concern

During the 2020 year, the Group made a loss after tax of R95 815 165 (2019: profit after tax of R2 097 552). Total assets exceeded total liabilities by R674 361 850 (2019: 770 834 126). Current assets exceed current liabilities by R184 596 406 (2019: R233 511 825).

At 31 July 2020 the Group had:

a. cash resources of R24 million; and

b. access to an overdraft facility of R15 million; and

c. An investment portfolio valued at R 196 428 642 which is capable of being realised in cash in the short term which, subject to the approval of the shareholder by special resolution, can be accessed for use by the Group.

During the 2020 financial year, the Group experienced significant strain on its cash flows as a result of:

a. the non-payment of amounts owing by Phumelela Gaming and Leisure Limited and it ultimately being placed in business rescue;

b. tough economic conditions which prevailed in South Africa; and

c. the effects of the Covid-19 pandemic lockdown and subsequent restrictions on business activities.

Notes to the Consolidated Financial Statements

34. Going concern (continued)

Management has implemented many cost saving initiatives during the year as well as to explore and prepare mitigating actions to be taken as a result of the Phumelela Business Practitioner not honouring the terms and conditions of the day to day commercial relationships with Phumelela. These include:

a. reducing salaries and stakes;
b. engaging with alternative international channels/ partners for the sale of the racing picture internationally; adapting the current wagering system to enable it to integrate with other totalisator systems elsewhere in the world and making arrangements to co-mingle with such totes.

A forecast for the next two financial periods has indicated that the Group anticipates reaching a break-even in the 2021 financial year and returning to profitability in 2022 and at the date of this report, management anticipate that subject to no new Covid-19 related lockdown or restrictions on business activities being re-implemented that the Group has and will generate sufficient cash flows to continue operating for the foreseeable future.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

35. Contingent liabilities

Bookmakers price determination (BODDS)
The South African Bookmakers Association instituted action against Phumelela Gaming and Leisure Limited and Gold Circle Proprietary Limited. It has been claimed that the Tellytrack partnership has contravened the Bookmakers copyright in Bookmakers' price determination for the period prior to 2010. The estimated exposure for legal fees is between R200 000 to R500 000, regardless of the result.

Phumelela Gaming and Leisure Limited
On 01 September 2020, Phumelela Gaming and Leisure Limited conducted their creditors meeting after going into business rescue. When the business rescue plan was published, the business rescue practitioner indicated the sale of 100% of Phumelela Gold International. In 2003, this entity was incorporated by Phumelela Gaming and Leisure Limited (61%) and Gold Circle Proprietary Limited (39%). The business rescue practitioner has indicated that Phumelela Gaming and Leisure Limited are the sole shareholders, this, despite years of precedence of profits flowing to the Group. The Group has therefore entered into legal proceeding with the Phumelela Gaming and Leisure Limited, to ensure that their rights to Phumelela Gold International are protected. This shareholding is vital to the Group's survival and represents on average R30 million worth of revenue every year. Further, the business rescue practitioner has indicated that he might claw back profits distributed to the Group over the years. When applying prescription law of 3 years, the last 3 years of profits from Premier Gateway International was R 89 million. Management has requested transfer of the shares held by Phumelela Gaming and Leisure Group on behalf of the Group. Once this transfer is complete, management will account for the income earned as "share of profits from equity accounted investee". As this is under legal proceedings, the outcome is still pending.

Notes to the Consolidated Financial Statements

35. Contingent liabilities (continued)

Dispute between Bookmakers and the Tellytrack Partnership

Since 2012 there has been a dispute with Bookmakers and the Tellytrack partnership on the Tellytrack fee for the commercial use of the channel. In April 2020 the Bookmakers and Tellytrack had resolved the fees that would be paid for commercial use of the channel. As at year end Tellytrack was still in the process of contracting and accounting for the new fees, refunds that would be due to Bookmakers that had overpaid fees and invoicing bookmakers who had not paid any fees for use of the channel. These amounts have not been determined; however, management estimate an amount is due to the company. The refunds owing to bookmakers by Tellytrack could be a potential obligation for the company.

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